

The End of the Boom: Private higher education in Mexico in the first decade of the 21st century¹

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Abstract. This work is part of current research focused on private higher education in Mexico, under an economic sociology approach of the education market and territorial integration. The paper focuses on four key topics: the current characteristics of growth and supply of private higher education; the forms that its territorial distribution in the country adopts; some general features of the economy of private higher education as the business size in the national economy and the price structure; and the relationship between changes in the regulatory environment and strategies of private institutions to gain social legitimacy and competitiveness.

Keywords: Economics of private higher education, Higher education in Mexico, Private higher education, Regulation of private higher education, Territorial distribution of private higher education

Introduction

A not uncommon image of private higher education in Mexico is that of a low quality sector with high growth. In social imaginary the exemptions are the expensive and elitist institutions because they enjoy a good reputation. But for many actors, especially academics, private institutions pursue obscure for-profit purposes, opposed to the disinterested search of knowledge.

However, this picture is simplistic and inaccurate. The private sector of Mexican higher education has outpaced the explosive expansion period and the quality of institutions is highly differentiated. In some cases, profit motives may involve savage capitalist behavior, but in others the earnings are not incompatible with the quality and continuous improvement of institutions. This is a huge market, complex and heterogeneous, which needs to be systematically known. This paper is

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¹ A previous version of this paper was published in Spanish (Álvarez, 2011). In this version, the text has been edited and the data have been updated.

part of research that seeks to broaden the knowledge about private higher education, under an economic sociology approach of the education market and its territorial integration.²

It focuses upon four key topics of private higher education in Mexico: current characteristics of growth and supply; forms that its territorial distribution adopts; some general features of the economy of private higher education, as the business size in the national economy, and the price structure; and the relationship between changes in the regulatory environment and strategies of private institutions to gain social legitimacy and competitiveness.

Growth slows its pace

In the early 1990s, the growth of private higher education was explosive, as a result of the population growth, the increase in the completion of secondary education and the low public investment to meet the new demand in a context of weak regulation on the private sector and of strengthening of higher education markets.³ In 1990 this sector concentrated 198,000 students, 18% of total undergraduate enrollments. In 2000, it reached 525,000 students, which constituted 30.6% of the enrollments. The 165% increase in enrollment in the private sector during those ten years generated a profound reshaping of Mexican higher education (Table 1).

Table 1. Enrollment in bachelor's programs in Mexico, 1990-2000

	1990	2000	Growth % 1990-2000
Public	898,934	1,192,959	32.71
%	81.93	69.44	
Private	198,207	525,058	164.90
%	18.07	30.56	
Total	1,097,141	1,718,017	56.59
%	100	100	

Source: Based on data of SEP-UPEPE/DGPyP (SEP, s.f.)

² This project was financed by CONACYT in its initial phase. It has involved colleagues from several Mexican universities. Miguel Casillas, Ragueb Chaín, Juan Carlos Ortega and Cristina Miranda (Universidad Veracruzana); Juan Carlos Silas (ITESO University); Antonio Gómez Nashiki (University of Colima); and Patricia Fernandez (University of the Altiplano). Nora Hilda Martínez Sánchez (Universidad de Monterrey), José Manuel Asún (Universidad Cristobal Colón); and Angelica Buendía Espinosa (UAM Xochimilco) have collaborated at various times through this project. In a second phase of the project, besides the mentioned colleagues, collaborated on the project Adrian Acosta and Francisco Silva Gama (Universidad de Guadalajara); Guillermo Tapia (Universidad Iberoamericana León, Guanajuato); Jose Raul Ramirez and Juan Pablo Durán (Universidad de Sonora); Wietse de Vries (Universidad Autónoma de Puebla); Jesus Galaz (Universidad Autónoma de Baja California); Pilar Baptista (Universidad Anahuac); Mitzi Morales, Brenda Pérez and Karen Soto, PhD students of DIE-CINVESTAV.

³ The characteristics of the enormous growth of private higher education in the early nineties were explored by Kent and Ramirez (1999), Rodríguez (2004), Acosta (2005) and Silas (2005), among others.

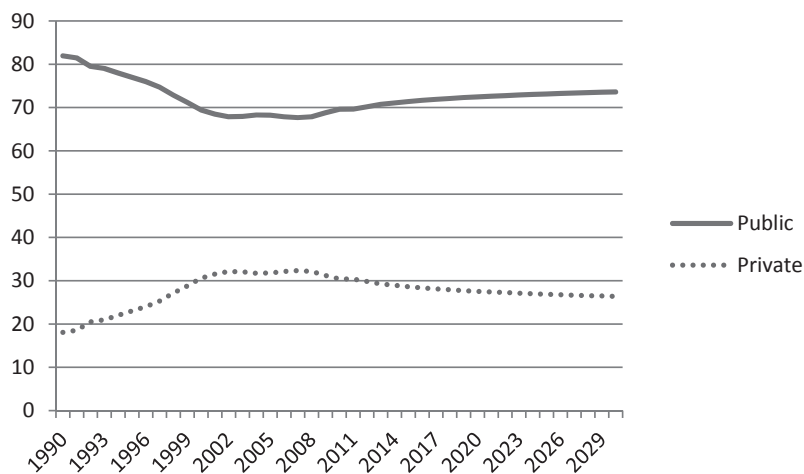
Undergraduate enrollment in the decade 2000-2010

In the last decade the total public and private enrollment grew almost equivalent to a percentage of the previous decade. But the novelty was the end of the trend of rapid expansion of the private sector. Compare otherwise: between 1990 and 2000, the sector grew 165%, but between 2000 and 2010 it increased 53.2%. In contrast, from 1990 to 2000 the public sector grew 32.7% and achieved a growth of 54.2% over the next decade (Tables 1 and 2). This sector regained dynamism to the point that the distribution of enrollment reached 69.6% for the public sector and 30.4% for the private (Table 2). The Ministry of Education estimates that the public sector will continue to increase its share to over 70% from 2015.

Table 2. Enrollment in bachelor’s programs in Mexico, 2000-2010

	2000	2010	Growth % 2000-2010
Public	1,192,959	1,839,896	54.23
%	69.44	69.58	
Private	525,058	804,301	53.18
%	30.56	30.42	
Total	1,718,017	2,644,197	53.91
%	100	100.00	

Source: Based on data of SEP-UPEPE/DGPpP (SEP, s.f.)



Source: SEP-UPEPE/DGPpP (SEP, s.f.)

Note: estimated from the 2008-2009 school year data.

Figure 1. Percentage distribution of undergraduate enrollment by sector, 1990-2015

The stabilization of the percentage distribution of enrollment across sectors that emerged in the decade 2000-2010 is explained by the growth of government funding that allowed expansion of the public sector (cfs. Tuirán, 2011). Existing institutions expanded their enrollments, while new public

institutions (technological and polytechnic universities, technological institutes, intercultural universities) were created as part of a policy of institutional differentiation, diversification of educational provision, and quality assurance.

It should be mentioned that the development of higher education has been very heterogeneous among the thirty-two states in the Mexican Republic. The distribution of enrollment between the public and private sectors in the states is highly variable, which expresses different levels of privatization. However, due to the expansion of the public sector, there will be a noticeable reduction in the private sector in the vast majority of states. Some figures illustrate the phenomenon: Guanajuato no longer has the levels of privatization of the previous decade (59.4% in 2000) and from the middle of this decade will no longer be the state with the highest percentage of private enrollment. Something similar has begun to occur with other states that had a very high private enrollment as Puebla, Chiapas and Jalisco. Several states that had reached between 37% and 40% of their enrollment in the private sector have begun to decrease these percentages as Nuevo Leon and Morelos. A set of states will be located around the national average and others come to have less than 20% of their enrollment in the private sector.⁴

The postgraduate

In the decade 2000-2010 the postgraduate showed accelerated growth, especially in the private sector. In Mexico it is still an educational level with small numbers of students, but draws attention to the dynamism that has been adopted and the strong percentage of the private sector. The business opportunities have been transferred to the masters, a characteristic phenomenon of the early nineties, and, surprisingly, to doctorates, a phenomenon of the 2000s.

The expansion of this level reflects the needs of a workforce with bachelor's degrees that require updating and improving its competitive ability to move up in the labor market. As workers, many students must take their classes on weekends, evenings or online modes. A portion of them is composed of teachers who have been demanded to increase their qualifications to access to stimuli schemes and achieve promotions. All this expresses a progressive increase in the symbolic and economic value of graduate degrees, which does not necessarily imply that students acquire knowledge and skills at a high level due to the overall low quality of these programs.

In 1990, nearly 46,000 students were enrolled in graduate school, of which 80.6% of whom were in public and 19.4% in private institutions. This changed substantially by the end of that decade. In the 2000-2001 school year there were almost 129,000 students enrolled in graduate school, of whom

⁴ There are several factors that explain this variability. Ongoing investigations suggest that the behavior of the demand for education must be located in larger urban settings (metropolitan areas, metropolitan areas). For example, in Tlaxcala part of the demand for private options moved to the city of Puebla, under the Metropolitan Region Puebla-Tlaxcala (Fernandez, 2008, 2010).

59.4% were in the public and 40.6% in the private sector. It began a drastic decline in the proportion of the public sector, which in late 2000 became lower than the private. Of the 208,000 graduate students 50.4% was concentrated in private institutions (Table 3), a trend which will continue in the near future according to projections by the Ministry of Education. In fact, the novelty of that decade was that the relative containment of the public sector enabled the strong growth in private and, therefore, their prevalence in absolute and relative terms, analogous to that of the previous decade at the undergraduate level. In the public sector, the federal dismissal of the practical-professional programs and the support of research oriented ones indirectly but powerfully stimulated the private postgraduate.

In the early nineties the postgraduate enrollments as a whole had an extraordinary expansion, compiling a 155.8% growth between 1990 and 1995 and 130% between 1995 and 2000. During the 2000s the growth of the private sector decreased its dynamism but remained larger than the public, particularly in the second half of that decade. Between 2000 and 2005 the sector accumulated a 29.5% growth between 2005 and 2010 and 54.6%. It is estimated that growth will be lower between 2010 and 2015 (Table 4).

Table 3. Graduate enrollment by sector, 1990-2015. Percentage share

	1990	2000	2010	2015*	2020*
Public	36,990	76,541	103,298	142,923	182,139
%	80.59	59.36	49.61	49.09	48.18
Private	8,909	52,406	104,927	148,248	195,874
%	19.41	40.64	50.39	50.91	51.82
Total	45,899	128,947	208,225	291,171	378,013
%	100.00	100.00	100.00	100.00	100.00

Source: Based on data of SEP-UPEPE/DGPpP (SEP, s.f.)

* Estimated by Ministry of Education.

Table 4. Graduate enrollment by sector, 1990-2010. Cumulative rates of growth

	1990-1995	1995-2000	2000-2005	2005-2010	2010-2015
Public	48.63	39.22	12.41	20.06	38.36
Private	155.75	130.00	29.51	54.60	41.29
Total	69.42	65.82	19.36	35.29	39.83

Source: Based on data of SEP-UPEPE/DGPpP (SEP, s.f.)

The master's level in the private sector recorded the highest growth. In 2000 there were about 48,000 students, but in 2010 there were 108,000. Private masters between 2000 and 2005 grew 32.4%, which contrasts with 12.7% cumulative growth in the public sector. But the greatest expansion of enrollment in the private sector occurred in the second half of the last decade, with a 71.6% growth. In that decade the private doctoral programs entered the scene. In 2000 private schools gave way to 1,201 students and in 2010 they had had registered and 10,106, a cumulative growth of 741.5%, which leaves behind the growth in public doctorate that was 97.6% (Table 5).

Table 5. Graduate enrollment by level and sector, 2000, 2005, 2010

	2000	2005	2010	Growth % 2000-2005	Growth % 2005-2010	Growth% 2000-2010
Public						
Specialty	20,718	21,762	28,912	5.04	32.86	39.55
Master	53,783	60,615	71,776	12.70	18.41	33.45
Doctoral	8,338	11,455	16,472	37.38	43.80	97.55
Total public	82,839	93,832	117,160	13.27	24.86	41.43
Private						
Specialty	8,316	11,370	15,004	36.72	31.96	80.42
Master	47,884	63,381	108,785	32.36	71.64	127.18
Doctoral	1,201	3,456	10,106	187.76	192.42	741.47
Total private	57,401	78,207	133,895	36.25	71.21	133.26
Public + private						
Specialty	29,034	33,132	43,916	14.11	32.55	51.26
Master	101,667	123,996	180,561	21.96	45.62	77.60
Doctoral	9,539	14,911	26,578	56.32	78.24	178.62
Total graduate	140,240	172,039	251,055	22.67	45.93	79.02

Source: Based on data from Álvarez and Ortega (2011)

Table 6. Graduate enrollment by level and sector, 2000-2010. Distribution among sectors

	2000	2005	2010
Public			
Specialty	71.36	65.68	65.83
Master	52.90	48.88	39.75
Doctoral	87.41	76.82	61.98
Total public			
Private			
Specialty	28.64	34.32	34.17
Master	47.10	51.12	60.25
Doctoral	12.59	23.18	38.02
Total private			
Total			
Specialty	100.00	100.00	100.00
Master	100.00	100.00	100.00
Doctoral	100.00	100.00	100.00
Total graduate	100.00	100.00	100.00

Source: Based on data from Álvarez and Ortega (2011)

This growth changed the percentage of enrollment in both sectors. At the level of specialty the private sector gained just over five points compared to 2000. However, changes in masters and doctoral programs were most noticeable. Masters private enrollment rose from 47.1% in 2000 to 60.3% in 2010; doctoral enrollment increased from 12.6% to 38% (Table 6).

Consistent with high tertiarisation of the economy, most students prefer “soft” and “applied” programs, and thanks to the low operating costs of such programs the graduate has fundamentally oriented toward management and social sciences, education, and the humanities. Thus, most of the private enrollment concentrates in such programs, except in the specialties where the area of health

prevails. Little more than half of master students and 26% of doctoral students are enrolled in social sciences and education. With a few exceptions, given the nonexistence of quality controls, these programs almost are true “diploma mills”.

National war, local battles: Establishments and their territorial distribution

In 2014, 2,493 private companies in undergraduate education were recorded.⁵ Considering that in 2000 there were 915 institutions, there has been spectacular growth in the number of privates, in a context of deceleration of private enrollment growth (Table 7). This situation implies a fierce competition among private institutions to capture a demand which has not grown to the high rates of the early nineties or the first half of the decade since 2000. On average, private establishments have less and less students. A lot of the student demand for private schools tends to be captured by large companies that are organized as systems or networks and distributed in various parts of the country, displacing medium and small local institutions. On the other hand, a myriad of very small establishments compete fiercely to attract demand from students who have no interest in large corporations either for academic or financial reasons.

Table 7. Number of private institutions and private higher education enrollment, 2000, 2005, 2010

	2000	2005	2010	2014
Institutions	915	1,450	2,064	2,493
Enrollment	525,058	683,539	804,301	941,154
Ratio	573.83	471.41	389.68	377.52

Source: Based on data of SEP-UPEPE/DGPyP (SEP, s.f.) and Álvarez and Ortega (2011)

This set of institutions has spread in the territory, either around the country, regions and states or cities. Establishments are very different in size, organization and territorial distribution, but most are small institutions. The occupation of the country has been part of expansion strategies to approach of supply locations where higher education previously was not, or was to a lesser extent. As Zacarías Ramírez (2008, 108) said: “the war for enrollments is national, but the battles are local.” In 2000 only 7.4% of the 2,554 municipalities in the country had some private establishments of higher education, but in 2010 the proportion rose to 13% (Álvarez & Ortega, 2011). Although private institutions have expanded in virtually all states, the distribution is extremely uneven. Some entities provide to a great extent places to private institutions, for example the Federal District where the private sector is in 94% of the municipalities (delegations in this case), or Baja California where it occupies 80% of the municipalities. At the opposite end is Oaxaca where private higher education is only present in 2% of its municipalities (Álvarez & Ortega, 2011).

⁵ Based on data from: The Query System of Educational Programs with Official Validity. Retrieved September 2014, from <http://www.sirvoes.sep.gob.mx/sirvoes/reportes/jspRepInstituciones.jsp>

The territorial differentiation

Private sector growth is expressed differentially in shaping of territorial distribution of institutions. Two facts stand out: first, the development and strengthening of institution clusters which are organized as systems and networks at various levels of territorial coverage, and second, the emergence of a myriad of different size isolated establishments. In summary, one can detect six types of institutions in accordance with the territorial organization of the distribution of services⁶:

- 1) National systems and networks, which also operate as regional networks:
 - Medium and long tradition (secular and religious);
 - Newly emerging (international or national capital);
 - Smaller but with national influence and religious orientation.
- 2) Multi-regional networks, usually with main seat in a region.
- 3) Regional networks (national or international capital).
- 4) State systems (several cities in same state).
- 5) Urban systems multi-site or multi-campus.
- 6) Institutions alone, with a single campus.

At the national level, four systems or networks dominate the private sector for its geographic expansion and number of students: 1) the Laureate network, of international capital, comprising the *Universidad del Valle de Mexico* (UVM), *Universidad Tecnológica de México* (UTM) and the *Universidad del Desarrollo Profesional* (UDP); 2) the Tecnológico de Monterrey System, covering the Instituto Tecnológico de Estudios Superiores de Monterrey (Tec de Monterrey) and Universidad Tec Milenio; 3) Anahuac Universities Network is part of Anahuac Educational Consortium, which includes the *Universidades Anahuac*, *Institutos de Estudios Superiores* and *Universidad Interamericana para el Desarrollo*; and 4) the *Universidad CNCI* network, which has a smaller enrollment but wide geographic coverage in the country.

Each of these networks covers almost all the national territory and has different prestige and pricing: *Tec de Monterrey* is located on top, followed by the Universidad Anahuac and UVM. Also inside networks reputations are clearly segmented. They are distinguished by having a sort of “second division” responsible to compete for medium purchasing power students through a less prestigious offer and cost.

⁶ These paragraphs are indebted to Roberto Rodriguez, who wrote a series of articles in which he exposed the central idea of the configuration of networks and university systems as ways that the market has to bring supply to demand. Rodriguez basically distinguishes national networks, regional networks and religious networks (Rodriguez, 2008).

The Laureate network, on the other hand, marks the beginning of foreign investment in private higher education in Mexico, an important development of the decade. The CNCI University, which has a presence in twenty states and forty branches, is a different case because it does not have equivalent recognition of the others; it is inexpensive; has a reduced offer of undergraduate three-year programs; and offers face services on only in two campuses.

All these networks, except Universidad CNCI, integrate institutions offering programs in more than two areas of knowledge in the undergraduate and graduate levels. Also all of them except Universidad CNCI have a defined business orientation even if they are not incorporated as corporations. It is listed on the stock exchange and is organized under a franchise model. The Anahuac Network adds a religious vocation to its side business. Together, these four networks have over 170,000 students, representing 20% of private enrollment.

Other networks are those that have spread in various regions without covering the entire country. The prestige and price of services vary because there is also strong segmentation. The most prestigious are the Jesuit University System and the network of La Salle universities followed by UNIVA, all three of which are religious. At the opposite extreme are networks which do not have accredited programs nor belong to the Federation of Private Mexican Institutions of Higher Education (FIMPES) and, therefore, have low prestige, as UNIVER or the *Instituto de Estudios Universitarios*. Judged by the number of students they have, these establishments are medium and large size with 5,000, 10,000, and over 25,000 students.

The more geographically limited regional networks include universities such as *Universidad Autónoma del Noreste*, the *Universidad de Tijuana* and the *Universidad Latinoamericana*. The last was acquired by Apollo Global International Group in 2008, which owns the University of Phoenix, well known for its profit guidance, huge extension through its offices in forty-two American states and online programs. These universities have enrollments between 5,000 and 10,000 students.

Networks located in various cities of the same state, with some enclaves in other states in certain cases, are another kind of establishment which has recently emerged. They are generally medium size given the number of students they serve. Other institutions are located in a single city with multiple locations and in some few cases branches in other states. They are small or medium size institutions which seek to bring educational programs to the students in urban centers. The last type is the institutions that have one or two locations in the same city. It is a vast, dispersed and generally inexpensive set of institutions which lack significant professional or academic recognitions but attract students from lower economic levels. However, in this set there are institutions with specialized, expensive and presumably higher academic standards and more prestigious programs. These two types account for the vast majority of private institutions but their enrollments are not as important as are the big national, multi-regional and regional networks.

Thus, both the dominance of networks in the market and the relative displacement of the smaller institutions are one of the most important processes in the last decade. These new configurations

express how private institutions seek to capture demand and grow their businesses through the provision of educational services both in areas where there is already public or private higher education and urban peripheries and medium or small cities where there was none a few years before. At the same time, networks represent corporate strategies to displace other institutions, especially small and medium size ones which are forced to compete with large and increasingly powerful companies. It is an urban and regional process of *oligopolization* of the private higher education market which emerges as a result of business expansion through economies of scale that the larger companies can perform thereby reducing competitive capacities of small organizations.

National, multi-regional, regional, and state networks are owned by business groups. In some cases they are powerful national or international consortia and in others religious corporations (Jesuits, Opus Dei, Legionaries of Christ, Marist, Lasallian, diocesan Catholic Church), usually organized under the figures of civil associations or civil societies. Urban institution types are usually owned by families of professionals, politicians, and (former) public sector officials, and are also grouped under types of civil societies or associations. Civil associations are required to reinvest profits and civil societies must pay taxes on them in a special scheme with some fiscal exemptions.

The next section presents some data on the profit margin which these companies view as an economic sector. Specialized research in Mexico has not elucidated how these organizations distribute their profits among the partners, except those organized as corporations. Nevertheless there is some evidence of rights sales (or shares), a kind of non-transparent stock market.⁷ Some institutions belong to larger corporations whose real estate and services companies sell or lease them various products or properties. Others open investment funds to obtain revenues. And most pay very expensive salaries to owners and their relatives who usually occupy leadership positions in institutions.

A large business

Private higher education is undoubtedly a business and is part of an industry with knowledge, titles, and multiple services that generates wealth. As with the prices of educational services, this industry comprises different types of institutions. This section discusses some ideas on prices in private higher education. Moreover, in order to know its size and importance as an economic activity, the participation of private education in the gross domestic product and the profit margins that available figures allow us to glimpse are analyzed.

Price differentiation

⁷ Wietse De Vries (2008) commented that the ETAC University of Puebla was one of these cases.

Segmentation is clearly expressed in the prices of services and programs offered by the institutions. The price range in the industry is huge, with highly polarized extremes. A simple exercise made with data of institutions that offer business management programs allows one to approach this issue. There are three major segments⁸: the consumer elite; the average consumption, and the low consumption. The first is a very small segment, highly diversified in its offerings, with some specialized establishments, and occupying high cost specific niches. The second is an extended segment, with different prices and levels of diversification. The latter is also very wide by the number of institutions covered but tends to be lowly diversified.

According to this exercise, one finds that 10.2% of business administration programs lie in the range of elite institutions; 49.7% in institutions of intermediate income students and 40.15% in low income students (Table 8). Since one can assume that the prices of management and business administration programs are reasonably representative of price segmentation of the education market, then possibly the entire private sector has a similar structure: a small number at the top, a broad band in the middle and slightly less fraction in the base.⁹

The price range in each of these bands is very wide (Table 9). For example, in elite institutions the annual price of the program ranges between US\$10,000 to US\$24,000 annually, similar to the prices of many public and private universities in the United States. In institutions of intermediate consumption price range is wider: they range from US\$2,000.00 to US\$9,600. Institutions for low spending poor students are among US\$219.00 and US\$1,960.00.

These data provide insight into the segmentation of private sector by prices, but one must be cautious because the prices announced by the institutions are not necessarily real ones. There are policies that include discounts, grants-credit, exemptions and fees for other services. Therefore, these data can only approximate the odds of students entering certain types of institutions, given the economic capacities of their families. They show the enormous variability of prices, especially in the intermediate and low segments, confirming the existence of a very large market composed of applicants with heterogeneous economic capacity and aspirations.

Based on case studies (Morales, 2011), it is possible to know that some institutions of low and intermediate segments develop lower cost options to attract students from lower strata. Also, other institutions deploy strategies to capture higher economic strata demand through the opening of new programs, improving services, and therefore increase the tuition and other charges. A reverse phenomenon has occurred with elite institutions that own second level options to cater to the lower strata of clientele. For example, the *Tec Milenio* belongs to the *Tec de Monterrey* and the *Universidad Tecnológica UNITEC* to the *Universidad del Valle de Mexico*.

⁸ Based on the Estrada and Gil Anton (2007) scheme on a hypothetical spending of 25% of household income in private institutions.

⁹ Comparing prices in courses in each institution reveals that there are no major differences, except in programs such as Medicine, Architecture, Graphic Design and Gastronomy. Murayama (2009) confirms this assessment.

The 2008 economic crisis affected the dynamics of private education, and one result was the development of pricing policies and products to retain enrollment, manage overdue loans more efficiently, and save utilities. Thus, several institutions expanded their student loan programs; applied discounts and offered extended terms for payment of debts; and closed unprofitable programs or canceled courses, all of which has also involved staff cuts and diversification of offerings such as weekend, “executive” (three-year), and online programs. In sum, they are companies looking to maximize their profits. Due to the lack of quality culture and controls in the private sector, one of the major problems of this capitalist behavior is that, as De Vries (2008) pointed out, the students could be the losers and the investors the winners.

Table 8. Number of management programs of private sector by price segments included in the analysis

	Program of the sample	% of the sample
Elite	80	10.17
intermediate	391	49.68
Lower	316	40.15
Total	787	100.00

Source: Data calculated with data available in ANUIES (2007).

They represent 57.2% of 1,381 business administration programs cataloged for ANUIES.

Table 9. Ranges and rates of management programs, 2006. Approximate prices in 2006 dollars

Type	Annual price range		Total price of the program	
	Lower	Larger	Lower	Larger
Elite	10,004.19	23,794.12	42,517.79	107,073.56
Intermediate	1,978.85	9,620.87	7,915.40	38,483.50
Lower	219.87	1,960.16	989.43	8,822.37

Source: Data calculated with data available in ANUIES (2007).

For the 2006 annual average price of the American dollar: Banco de Mexico. Available from <http://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadro&idCuadro=CF373§or=6&locale=es>

Towards an economy of private higher education

The role of private higher education in generating national wealth and profits is not well known in Mexico. Economic studies on this area are scarce¹⁰. However, this kind of economic activity is of great importance. In a first approximation, this section discusses some national data on private

¹⁰ Kent (2004) has ventured into the study of state markets, from a sociological perspective close to the political economy; Murayama (2009) devoted part of his work to the study of prices, household spending and percentage of private expenditure in total expenditure on higher education; Estrada and Gil Anton (2007) exercised price and type of students (income levels); Acosta (2005) has described some features of the marketing strategies of the private sector and De Vries (2008) discussed the impact on educational opportunities in the areas of low cultural capital.

higher education's contribution to Mexico's GDP and its profits over the last decade (INEGI, 1999, 2004, 2009; Álvarez & Ortega, 2011).

In spite of reducing the dynamism of the sector, especially towards the second half of the last decade, private higher education experienced tremendous economic growth. At constant prices of 1999, the GDP generated by the private higher education (PIBESP for its acronym in Spanish) went from almost US\$574,833,000 dollars to US\$1,616,381,000 in 2009, a cumulative growth of 181% at an average annual rate of 11%. The first half of the decade was best for the business as it grew 160%, while from 2004 to 2009 it grew by only 8%. PIBESP growth was much higher than the national GDP, that is, private higher education was more productive than the average of the country's economy in the past decade. However, it is worth noting that in the second half of the decade the performance of the national economy was superior to private higher education (Table 10).

Table 10. National GDP and private higher education GDP, 1999, 2004, 2009 (thousands of dollars at constant 1999 prices)

		National	Private HE
	1999	172,025,716	574,833
	2004	233,748,988	1,494,978
	2009	298,098,275	1,616,381
Accumulated growth	1999-2009	73.3	181.2
	1999-2004	35.9	160.1
	2004-2009	27.5	8.1
Annual average rate of growth¹	1999-2009	5.7	11
	1999-2004	6.3	21
	2004-2009	5.0	2

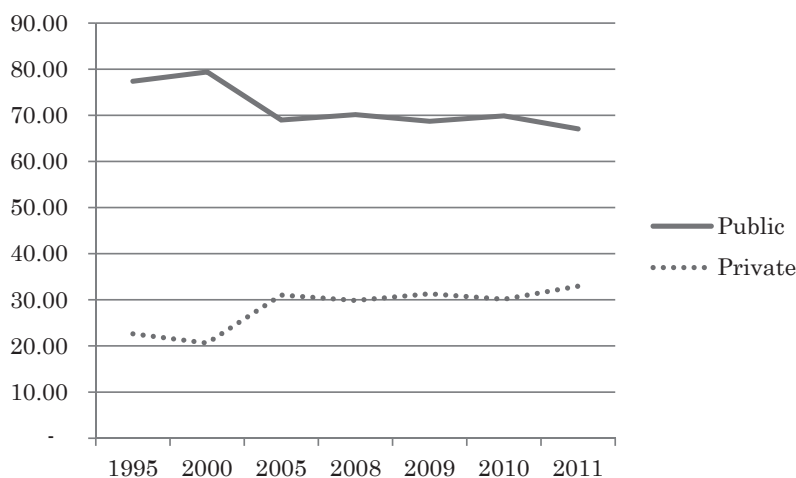
Source: Based on data of INEGI (1999, 2004, 2009). The information relates only to the group of variables: census value added of all sectors of economic activity. Definitive Results at constant 1999 prices.

To understand the meaning of these figures one needs to pay attention to the place of private higher education in all economic classes. In 1999, of the 884 classes in economic activity according to the North American Industry Classification System (NAICS) used in United States, Canada, and Mexico private higher education ranked 68th, accounting for 0.3342% of GDP, compared to national air transport lines (0.3337%), development banks (0.3212%), or cell phone industry (0.2761%). In 2004 private higher education recorded increased scaling: it was ranked 23rd, with a contribution equivalent to 0.63957% of GDP, higher than, for example, production and sale of beer at wholesale. In 2009, it had a light decline to occupy the 26th place, bringing the 0.5465% of GDP.

As can be seen, the private sector of higher education is a large economic activity. However, when international comparisons are made, one observes that the business is not as large and therefore, the level of privatization of higher education does not reach the level of several countries have. The total private spending in Mexico represents 28.6% of total expenditure on higher education, slightly lower than the OECD average and higher than the European Union. Private spending in Canada, for example, represented 43.4% of total expending and in Portugal of 30%. Among the countries with the most privatized higher education, Korea and Chile had a private expenditure 79.3% and 85.6%,

respectively.¹¹

It is clear that private participation in higher education spending in Mexico increased during the past decade: in 2000 it was 20.6% and in 2010 30.12%. From 2005 to 2008 the proportion of private expenditure recorded a slight decrease in line with the slowdown in enrollment growth in the private sector. It is possible that the general slowdown in the economy has had important impacts on the economic capacity of families in those years. However, at the beginning of this decade private participation experienced a recovery that raised its percentage to unprecedented levels: Mexican families that year contributed 33% of spending on tertiary education, which meant that the proportion of public expenditure recorded, in turn, a historical decrease (Figure 2).



Sources: OECD (2013, Table B3.3.; 2014, Table B3.2c.)

Figure 2. Distribution of public and private expenditure on tertiary education, Mexico 1995-2011

Despite the relative recovery of public spending, the increase of private participation in the decade meant that families, presumably those of lower economic strata, had to assume a significant portion of education spending. Public spending tends to benefit richer households of the population, with little benefit for the poor. In 2000, the lowest income decile accounted for 1.2% of public expenditure and in 2006 for 0.9%. In a completely opposite direction, in 2000 the richest families were benefited with 10.4% of the public expenditure on higher education, in 2006 with 13% and in 2010 with 37% (SHCP, 2002, 2009, 2012). Thus, the rich enjoy greater public resources while disadvantaged persons are more likely to be excluded from the public sector and therefore to swell private spending. Because of the obstacles to getting a place in public institutions they do not have other options than pay for private education. This situation is inequitable and exclusionary to all

¹¹ Based on data from OECD (2010, Table B3.1.) Relative proportions of public and private expenditure on educational institutions, for all levels of education (2000, 2007).

lights.

While the private sector in Mexico is not too large compared to other countries, it is a very profitable business for their profit margin and, therefore, is very attractive to investors, especially for its low operating costs, particularly in institutions that do not offer expensive programs such as medicine.

According to 1999 Economic Census data, this sector has entered almost US\$1,200 million and spent \$967 million, giving a difference of 16.11%, a significant margin that grew over the decade. In 2004 it was 28.7% and in 2009 29.4%. The revenue increased 118.8% in the decade and spending 84.2%, but it is surprising that the difference increased 299% (Table 11). If income increased more than the outcome it is because investment declined proportionately and the enterprises deployed policies in order to maximize profits. In sum, during the second half of the decade the private sector was less dynamic in income received and expenses incurred, but retained a large margin between the two.

Table 11. Income and expenditures of private higher education, 1999, 2004 and 2009
(Thousands of constant 1999 dollars)

	1999	2004	2009	Cumulated growth %		
				1999-2000	2004-2009	1999-2009
Income	1,152,205	1,932,438	2,520,897	67.72	30.45	118.79
Expenditure	966,597	1,377,871	1,780,259	42.55	29.20	84.18
Difference	185,607	554,568	740,639	198.79	33.55	299.04
%	16.11%	28.70%	29.38%			

Source: Based on data of INEGI (1999, 2004, 2009). The information relates only to the group of variables: Total income of private higher education and Total expenditure of private higher education.

In search of legitimacy

The absence of public policies and lax regulatory environment for private higher education that characterized the early nineties have been giving way to greater oversight by the federal government and some still precarious efforts to boost educational quality. In 2000, as part of the initial effort to bring quality criteria to private institutions and simplify administrative procedures, the SEP began issuing a Record of Excellence Academic to institutions that previously met the requirements for academic staff, facilities, plans, and curricula¹². With this arrangement, also known as “administrative simplification”, the Ministry of Education may authorize the curricula of certain institutions without submitting the syllabi to federal authorities, and recognizes its power to authenticate certificates, diplomas, and degrees (Rodríguez, 2004).

Some changes began in 2003 and 2004 when various actors (rectors of major public and private universities, educational researchers, and communicators) questioned the low quality of the “duck

¹² Meet the percentages of full-time faculty; have a minimum of 10 years teaching higher education Official Recognition of Validity Studies (REVOE) not received sanctions for the past three years and be accredited.

universities” (Rodríguez, 2004). Soon after, in 2005 the controversy was revived with the strong participation of the Mexican Federation of Private Institutions of Higher Education (FIMPES). These controversies took their toll on the federal government, which took over the concerns set out by the previous administration in the National Education Program 2001-2006 regarding the expansion of low quality programs that should be addressed by revising the regulatory framework (Rodríguez, 2006). The route was oiling the machinery of execution and inspection of the Register of Official Validity of Studies (RVOE for its acronym in Spanish); making progress toward building a coordinated system of RVOE; and implementing a Program to Promote Quality in Private Institutions in 2010¹³. In an effort to overcome the lag in RVOE, update the authorization of programs; impose sanctions on non-compliance and, thereby keep pace with the rhythm of creation of educational programs. The shift began to be better defined in 2005 of the total existing RVOE, over 65% were granted between 2005 and 2010. Between 2007 and 2009, the Ministry of Education performed more than 9,000 regular and special inspections and initiated 4,893 sanction procedures in which RVOE were denied to 1497 programs (22.1% of all programs) (SEP-SES, 2011).

In some states like Puebla local authorities notified institutions that they should initiate processes of accreditation examinations and apply selection for students (Kent, 2004). The Sub Secretary for Higher Education, Rodolfo Tuirán (2011: 13) noted that in the framework of the National Council of Education Authorities (CONADEU for its acronym in Spanish) together with the state education authorities, the Ministry of Education would trigger a common management model of RVOE. The lack of coordination and the existence of numerous state instruments applied with different criteria and rigor for official recognition is a problem that has added complications to the regulation of the sector. So since 2007 federal and state educational authorities sign a coordination covenant to unify the standards (SEP-CONADEU, 2010a).¹⁴

In October, 2010, the federal government launched the Program for the Promotion of Quality in Private Institutions (SEP-CONAEDU, 2010b), in order to develop quality processes in private institutions, providing information to the public about them; and promoting coordination with local authorities of education. The program was voluntary, based on commitments and incentives of prestige and social recognition. Each participating institution has developed a self-assessment and improvements schedule and signed a letter of commitment to be published on the Ministry’s website.

¹³ Honor to whom honor is due: some predictions of Roberto Rodríguez (2004, 457) have been fulfilled: “The SEP [Ministry of Education by its acronyms in Spanish] will recognize the existence and severity of the problem”; “The SEP will look deeper into the trend for standardizing the current criteria of RVOE between the federation and the states”; “The SEP, in convergence with the traditional private universities, will insist on a single assessment framework that includes the RVOE as a first step on the road to full institutional accreditation”.

¹⁴ To date, the important but scant, developments are the construction of a system of official recognition (SIRVOES by its acronym in Spanish) to store, share and query data; making a diagnosis on RVOE in the states and presenting a set of recommendations to standardize RVOE and its operation in terms of facilities, staff, plans and programs of study, assessment and monitoring service, general aspects; systems RVOE request line, request system information online institutions, and online information for the general public (SEP-CONADEU, 2010b).

However, this regulatory effort lost steam in late 2012. The new government has lost interest in this issue and, instead, preferred to apply their efforts on expanding enrollment in public institutions. This bureaucratic and formalistic scheme focused on paperwork has not been replaced by a modern scheme focused on accreditation of programs and verifiable commitments, and it is not clear that the REVOE will be progressively oriented towards mandatory accreditation as a condition for being granted or denied.

The activism that the federal government deployed to the private sector until 2012, riding the wave of vilification that loomed over private education in the first half of the last decade, was well for some private schools that directed their attention to the quality criteria that educational policy has developed for the public sector and made use of them to recover or increase their social legitimacy. Also the quality criteria have been useful for private institutions to guide their improvement processes. However, at the same time, to have better symbolic resources in the competition for social prestige and clientele and thus, redesign their pricing structures. If RVOE criteria were made stricter in the future and accreditation of academic programs were required, the private institutions that have advanced the accreditation of their programs would be better positioned in the educational market as offering a higher quality image which will give them the best conditions in order to compete in a market that no longer expand as well as in the nineties.

Conclusions

The landscape of private higher education in Mexico changed during the first decade of this century. A strong expansion phase was changed to lower growth. While the economic importance of the activity of the private sector became very large, a reduction in its dynamism can be observed from the second half. In the decade as a whole the sector outperformed the economy of the country's economic performance, but between 2004 and 2009 its performance was lower.

Yet businesses continue. The profits are still very attractive and have increased significantly. It can be explained by the decline in investment and spending on personal services and amenities, seeking to maximize profits.

The huge market created by approximately 976,000 students enrolled in a universe of 2,493 institutions is highly segmented. At the top there are elite institutions and programs with very high prices; in the intermediate sector the price range is very wide, an expression of the great population range that constitutes the middle classes; in the lower sector the price range is also broad.

These institutions have adopted different ways of territorial organization which distribute their services and win markets: from large national, multi-regional and regional networks to medium and small institutions with branches in one state or one city, and to isolated, usually very small and low-priced institutions, although there are exceptions for some specialized institutions. Networks concentrate between a third and a half of private enrollment, which makes them the dominant forms of

regional and state markets that displace smaller organizations.

The federal government made efforts through 2012 to improve the processes of formal recognition of programs and launched a program to promote quality educational establishments on the basis of a classification of institutions in accordance with the accreditation of programs. With this proposal the government intended that accreditation be a requirement for programs to obtain the RVOE. But in the last two years the federal government has chosen to concentrate on expanding public enrollment and to proceed no further in improving the regulatory framework for the private sector.

Several private institutions, however, have seen accreditation as a way to increase their legitimacy and add value to their services in the market of titles, a strategy to improve its competitive position. This would not have been achieved without increasing social perception of the low quality of a large number of private institutions to the point to have reversed the common and simplistic idea that the private sector was, per se, better than the public. For several private establishments, criteria and quality paths proposed by the federal government for public institutions have become an important reference point. This may bring some order to the private sector, although it is doubtful that significant improvements in the quality of education will be seen in all institutions.

In sum, the public sector has increased the speed of its growth and the private has declined both in terms of enrollment and economic output. The era of almost limitless prosperity came to an end at the conclusion of the last decade and, instead, a much more competitive but little regulated market forces the actors to redefine their positions to avoid losing business opportunities.

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