

## Chile's higher education: between market and state

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**Abstract.** Presently, most Higher Education policy issues that are debated in Chilean society revolve around the question of the type of relations that should connect the Higher Education system with the state and society.

During the 1980–1990 period, Chilean Higher Education underwent drastic changes under a Military Government, directed to the achieving of three main goals: to open-up the Higher Education system, to differentiate its institutional structures, and to partially transfer the cost of state-financed institutions to the students and/or their families (cost recovery) thus forcing these institutions to diversify their funding sources.

As a result of the 1980 reforms, both the institutional composition and the financing of Higher Education experienced dramatic changes. New establishments mushroomed. In turn, the rapid increase in the number of institutions resulted in three major effects: *first*, Higher Education became private-dominant in the non-university levels and has now a dual public/private nature at the university level; *second*, establishments grew more regionally dispersed but overall enrolment distribution changed in the direction of a still higher concentration in the capital city; *third*, creation of new entrance opportunities shows an increasing over-extension with respect to enrolment demand. Also funding of Higher Education was drastically altered by the 1980 reforms. Incremental funding was replaced by a diversified funding system which contemplates the employment of four different mechanisms: public institutional core funding, competitive public allocations rewarding institutions that enrol the best students, a Government financed student-loan scheme, and competitive financing of research projects.

A new, democratically elected Government was established in 1990. Its Higher Education policies include three major objectives: to fully restore institutional autonomy cancelling all measures of governmental intervention and reinstating the right of faculty members to freely choose their authorities and provide for the self-government of public universities; to increase public spending without changing the diversified-funding approach adopted by the former Government, and to change the legal framework of Higher Education with the aim of introducing more stringent accreditation and evaluation procedures and institutional accountability.

### I. The 1980 reform and its effects

Prior to 1980, Higher Education in Chile was organized along the following lines: it was a one level, one sector system, comprising two state and six private-national universities, all of which were funded by the public treasury. Universities were entitled to freely initiate schools and careers and extend professional titles and academic degrees. Financing of Higher Education consisted largely of public incremental funding based on previous budget allocations and a distribution formula loosely arranged according to enrolment. Students paid no fees. Selective admission was enforced on the basis of a national standardized academic test. No general Higher Education law existed but new universities had to be legally recognized, thus securing public funding and obtaining the right to award

educational certificates (Brunner 1986).

In 1973 the Military Government determined the compulsory intervention in universities and imposed a tight control over them, cancelling their self-governing powers. Faculty associations and student bodies were prohibited. A long standing tradition of institutional autonomy was thus cancelled and universities were constrained to follow the Government's guidelines (Brunner and Barrios 1987).

Starting in 1980, the Military Government introduced a comprehensive reform of Higher Education, directed to the achievement of three main goals (Brunner 1986):

- (i) *To open-up the Higher Education System.* Deregulation was announced as a way of promoting "private initiative" in the organization of new institutions. Only minimal requirements were established for the creation of private institutions.
- (ii) *To diversify Higher Education.* Three levels of institutions were recognized, based on a functional hierarchy of educational certificates: *universities* should focus on long cycle undergraduate programmes leading to the *licenciatura* and to professional titles requiring the *licenciado* degree; only universities were allowed to initiate postgraduate programmes. A second level of establishments – consisting of *professional institutes* – was instituted, restricted to four years careers leading to professional titles defined as not requiring the degree of *licenciado*. Lastly, the category of *technical training centers* was created, confined to short cycle (two year) vocational courses leading to a technical certificate.
- (iii) *To partially transfer the cost of state-financed institutions to the students and/or their families (cost recovery) and to force these institutions to diversify their funding sources.* Incremental funding was discontinued. Public institutional funding was limited to the traditional 8 universities and to the 14 new state institutions that were created out of the amalgamation of regional colleges pertaining to the two traditional state universities. In all these institutions, core funding would now have to be supplemented through institutional self-financing: tuition fees, competition for research funds, and contract funding. A small amount of public funding was linked to a "best-students formula", based on the number of the 20,000 best scores in last year's SAT enrolled by each institution. In addition, a Government financed student-loan scheme was introduced. The funding of new private institutions was made dependent on resources obtained from tuition fees. No public funding was visualized for these institutions, but for one exception: as of year 1989, they can compete for "subsidy-carrying students" (i.e., "best-students formula"). Also, students enrolled in new private institutions have no access to loans.

As a result of the 1980 Reform, both the institutional composition and the financing of Chilean Higher Education underwent dramatic changes (Brunner 1992).

New establishments mushroomed. More than 300, practically all private in nature, were created during the 1980–1990 period, thus dramatically changing the shape of the Higher Education System, as shown in Table 1.

Table 1. Chile: establishment of new Higher Education institutions, 1980–1990

Institutions	1980	1985	1990
UNIVERSITIES	8	21	60
With public funding	8	18	20
New private, no public funding	–	3	40
PROFESSIONAL INSTITUTES	–	25	82
With public funding	–	6	2
New private, no public funding	–	19	80
TECHNICAL TRAINING CENTERS	–	102	168
With public funding	–	–	–
New private, no public funding	–	102	168
TOTAL	8	148	310

Source: Consejo Superior de Educación, 1991

In turn, the rapid increase in the number of institutions resulted in three major effects. *First*, from the point of view of enrolment distribution, Chilean Higher Education has become private-dominant in the non-university levels and has now a dual public/private nature at the university level. Non-university Higher Education has taken the form of a predominantly private market-concern with a wide supply of different study opportunities. (Table 2). *Second*, establishments have grown more regionally dispersed thus enlarging access over the whole of the country, particularly in the non-university levels. Nonetheless, overall distribution of enrolment has changed in the direction of a still higher concentration in the capital city. *Third*, creation of new entrance opportunities shows an increasing over-extension with respect to enrolment demand. The latter phenomenon is most

Table 2. Chile: Higher Education enrolment by tiers and sectors, 1980–1990

	1980	1985	1990
UNIVERSITIES	116.962	118.079	131.702
With public funding	116.962	113.128	112.193
New private, no public funding	–	4.951	19.509
PROFESSIONAL INSTITUTES	–	32.636	40.006
With public funding	–	18.071	6.472
New private, no public funding	–	14.565	33.534
TECHNICAL TRAINING CENTERS	–	50.425	77.774
With public funding	–	–	–
New private, no public funding	–	50.425	77.774
TOTAL	116.962	201.140	249.482

Source: División de Educación Superior, MINEDUC, 1991.

intense at the non-university levels but can also be perceived in the private university sector (Brunner and Briones 1992).

Also funding of Higher Education was drastically altered by the 1980 Reform. In the case of publicly financed institutions, incremental funding was replaced by a diversified system which contemplates the employment of four different funding mechanisms: (i) public institutional core funding, confined to the traditional universities and to new state institutions; (ii) competitive public institutional funding tied to a "best-students formula", thus rewarding institutions which enrol them; (iii) a Government financed student-loan scheme was introduced to support cost-recovery and publicly funded institutions were forced to charge tuition fees; (iv) a special fund was established to finance research projects chosen after a peer review process on the basis of a yearly competition open to all researchers. Moreover, various legal reforms were introduced during the 80's to facilitate private philanthropy in favour of Higher Education establishments.

The net effects of these changes are presented in Table 3, where the actual level and composition of Higher Education funding is shown, considering the system as

*Table 3.* Chile: estimated total national expenditure in Higher Education by sources, 1990 (US \$ millions)

Source	US \$
<i>Public sources</i>	
Public treasury associations	
(a) public sector institutions <sup>1</sup>	125.6
(b) new private institutions <sup>2</sup>	2.6
Competitive research funds	11.8
Subtotal	<u>140.0</u>
<i>Private sources</i>	
Private philanthropy	
(a) going to public institutions	4.9
(b) going to new private institutions	1.5
Tuition fees	
(a) Paid in public institutions	81.6
(b) Paid in private institutions	77.4
Subtotal	<u>165.4</u>
<i>Public/private sources</i>	
Various other incomes <sup>3</sup>	159.4
Subtotal	<u>159.4</u>
Total	464.8

*Source:* Ministerio de Hacienda, Dirección de Presupuesto, Balances Presupuestarios, and MINEDUC, Dirección de Educación Superior, 1991.

<sup>1</sup> Includes institutional core funding (62%), competitive funding linked to best student formula (16%) and student loans (22%).

<sup>2</sup> Share of competitive funding linked to best student formula going to private universities.

<sup>3</sup> Includes specific public allocations, income-for-services, borrowing, international cooperation and non-national private philanthropy.

a whole (i.e., public and private sectors) and the various funding sources. From the figures presented, national expenditure in Higher Education can be estimated to represent approximately 1.6% of Chile's GNP. Around 27% is directly transferred by the public treasury as institutional core funding for 22 institutions, 36% comes from private contributions, mainly through the payment of tuition fees, and the rest (47%) is mixed funding originating from income-for-services, various specific public allocations, borrowing, international cooperation and non-national private philanthropy.

Beginning 1990, four days before the installation of a new democratically elected Government, a Constitutional Law (i.e., a law that requires a special quorum for its reform) for the whole education system was passed by the Military Government. The larger part of it deals with Higher Education. The three levels and two sector (public and private) system was definitively consecrated. Under the new law, a public autonomous body – the *Higher Council of Education* (HCE) – was set up, with two major functions: (i) to accredit new private universities and professional institutes, (ii) to approve the core national curriculum for primary and secondary education (Squella 1990).

The HCE has nine members: the Minister of Education, who chairs the Council; 3 members elected one by the state universities, one elected jointly by the (old) private-national universities and the new fully autonomous private universities, and one by the fully autonomous professional institutes; 3 members elected by the scientific community; and two members elected, respectively, one by the Supreme Court and one by the Chiefs of Staff of the Armed Forces and the Director General of the National Police. The Council designates an Executive Secretary who is in charge of day to day operations and directs the Council's staff. The HCE is financed through a specific yearly national budget allocation and is legally entitled to charge fees for its accreditation services. The Council's staff is formed by a body of 8 professionals and 3 administrative employees.

The accreditation procedures set up under the 1990 law have the following major characteristics (Consejo Superior de Educación 1991):

(i) They provide a licensing system for the establishment of new private universities and professional institutes centred around the approval of both an institutional project and the career-programmes that will be offered. Once the project and career-programmes have been approved by the HCE, the institution is officially recognized by the State and can initiate its activities.

(ii) They also provide a temporary institutional assessment system whereby the development of each approved institutional project is periodically reviewed and closely monitored, during a minimum period of six years, after which the HCE can declare they have full autonomy of a private institution.

(iii) To approve institutional projects and career-programmes the Council examines two types of reports: (i) a detailed report prepared by its Executive Secretariat and (ii) one or more assessments provided by peers who are engaged by the Council as external consultants. The same procedure is used for recurrent institutional evaluations. During its first year, approximately 70 consultants have

been engaged in various assessment activities.

(iv) Under the regulations of the 1990 law, these accreditation procedures are optional for already existing private Higher Education institutions. The latter can either request to be accredited or choose to remain under the "examination system" established in 1981, which requires them to sign a private agreement with a publicly funded institution whereby new private institutions must submit their teaching programmes for approval by the examining institution. During a period of 5 to 10 years, students of new private institutions and the first five cohorts of graduates must take their final examinations with a committee composed by faculty members from both the new and the examining institution.

Out of the 40 existing private universities, 21 have chosen to be accredited by the HCE. They comprise 71% of all students enrolled in the private university sector. But only 18 out of 80 existing private professional institutes, comprising 33% of enrolment at this level, decided to be accredited by the Council.

## **II. Reforms envisaged by the new Government**

A new Government (1990–1994), based on a broad coalition of center to moderate-left parties, is presently in charge of successfully completing the transition process from a military-authoritarian regime to democratic rule.

The Higher Education policies of the new Government inaugurated in March 1990 include three major objectives:

(i) To fully restore institutional autonomy of the 22 publicly supported Higher Education establishments, cancelling at once all measures of governmental intervention and reinstating the right of faculty members to freely choose their authorities and provide for the self-government of public universities. This aim was accomplished during the first year of the new Government. Presently it is giving place to the much debated issue of student participation in the government of public universities.

(ii) To increase public spending in Higher Education without changing the diversified-funding approach adopted by the Military Government. As a matter of fact, public expenditure on Higher Education rose in real terms by some 20% in 1991 and by 10% in 1992. Increased funding, limited only to public sector institutions, has been channelled: (a) to support a scholarship plan that envisages the provision each year of 5,000 new scholarships throughout the period 1990–1994, thus allowing 20,000 poor students from 1994 onwards, to cover the cost of fees charged by the universities; (b) to broaden the student-loan scheme; (c) to finance institutional improvement-oriented projects submitted by the publicly supported institutions; and (d) to further expand the research-financing capacity of the Government through the establishment of a new Fund that will distribute resources on a competitive basis to support applied research projects within a limited number of priority-areas defined by the Government on the evidence of medium-term national development needs.

(iii) To change the legal framework of Higher Education. In effect, the Government has pledged to seek approval from Parliament for a new general law of Higher Education, introducing a series of modifications to the law sanctioned by the Military Government in 1990. For this purpose a special Presidential Commission composed of 21 members – selected from the faculty of the major publicly supported universities and representing a wide spectrum of political orientations including the Opposition, was set up to draft the law. A final proposal was presented to the Government in October 1990 (Comisión de Estudio de la Educación Superior 1990) accompanied by a policy-paper containing guidelines for Higher Education development during the 90's (Comisión de Estudio de la Educación Superior 1991). The Government has not yet taken a final decision on that proposal.

The basic approach of the Commission's proposal is to strengthen *autonomy* at the institutional level and *system self-regulation* through a set of non-directive and non-bureaucratic information, accreditation and evaluation devices (Brunner 1992). System regulation is to be implemented by a National Council of Higher Education in the case of universities and institutes, and by the Ministry of Education in the case of technical training centers.

The National Council is envisaged as a public, autonomous body that will connect Higher Education institutions with the Government, manage the accreditation and evaluation procedures and marginally intervene in the distribution of public funds. Its members are to be elected by the institutions and the scientific community (two thirds) and by the Government (with Parliament's approval) the rest.

The regulation procedures and instruments visualized by the Commission's proposal are to be designed and managed by the National Council of Higher Education in interaction with the institutions.

The licensing and accreditation of new private institutions closely follows the scheme set up by the 1990 law. It includes: (a) peer review of institutional projects and career-programmes on the basis of organizational, academic and financial variables, the final decision to be taken by the Council; (b) supervision of new institutions (progress-monitoring and assessment during a 6 to 12 years period); and (c) determination, after the completion of this period, if the institution can be granted full autonomy. Private establishments that according to the 1990 law were not compelled to submit to the accreditation process and have not obtained their full autonomy would have to submit to the supervisory process for the remaining period.

The aim of these procedures is to give public assurance that the new private institutions comply with a set of minimal requirements and standards.

A set of new institutional obligations are created so as to facilitate a closer monitoring of all universities and institutes, both public and private. This is to be accomplished through the systematic gathering of institutional information (academic and financial). Institutions would be required by law to present that information on a yearly basis according to a questionnaire prepared by the Council. The purpose here is to produce "market transparency" and foster accountability on

the part of public and private Higher Education institutions.

Thirdly, a new model of system-guidance is envisaged, to be obtained through the dissemination of public information and the introduction of institutional assessment procedures.

The Council is given the responsibility of producing and publishing factual and statistical information on each university and institute, and it should be authorized to produce system-development information and analysis. The aim is to reinforce self-regulation at the system level and to strengthen the Government's monitoring function.

With regards to institutional evaluation, the Commission's proposal is to establish a quality control system geared to the improvement of institutions' quality, effectiveness and efficiency; i.e., only institutional-development oriented procedures are envisaged. The basic approach to evaluation conceived by the Commission is therefore to assess goal attainment and effective functioning of institutions.

The evaluation procedures foreseen in the Commission's proposal are institutional self-assessment carried out on a yearly basis and external evaluation procedures to be supplied through peer review and on site inspections within a five year cycle.

A confidential report containing a full account of assessment results should be produced by the Council, and a summary would be published at the end of each year.

Evaluations enacted under the guidelines established by the National Council would be optional but participating institutions would have access to two different types of incentives:

(i) to an Institutional Development Fund (State financed). Resources administered by the Fund would be allocated by the National Council to support teaching (or teaching-related) quality improvement projects. Only marginal public resources are envisaged for this purpose;

(ii) to State financed scholarships and loans, which would be restricted to students who enrol in institutions that have chosen to be evaluated.

The overall purpose of the reforms proposed by the Commission is to perfect the present functioning of Higher Education, transferring more responsibilities to the institutions themselves, abandoning the traditional procedures of bureaucratic control and shifting the balance of system-coordination from its present market-type emphasis to a more weighted relationship between policy instruments, professional-faculty intervention and market devices.

The proposed reforms have not gone unchallenged. Various resistances can be identified, both from within and outside the Higher Education system. Intra-system sources of resistance can be located both in the public and private sectors.

Some public establishments resist the creation of a buffer institution or challenge its composition, dispute its monitoring function and would like to see it restricted solely to private institutions. There are also arguments about the introduction of an incentive-linked evaluation procedure and opposition to sharing scarce public funds with new private institutions (Asociación de Académicos de la Universidad de Chile 1991).



On their part, private universities oppose mandatory accreditation and would like to limit the Council's monitoring function (Cáceres 1992).

Extra-system sources of opposition to the proposed design although more vague are nonetheless widespread. Some feel that the proposition put forward by the Commission is not sufficiently removed from the design adopted under the Military Government; such people favour a more drastic reform approach. Others criticize the underlying sanction of market-driven procedures for the regulation of Higher Education. Still others, mostly within the Government's educational bureaucracy, withstand the establishment of an autonomous Council on the grounds that it may further erode the central Government's ability to guide Higher Education. More generally, various groups resist the idea of strengthening self-regulation of Higher Education and would prefer to reinforce Government-centred regulations.

In brief, most Higher Education policy issues that are presently debated revolve around the central question of what type of new relations between State, system and society are best suited to reinforce institutional autonomy, introduce public regulation and achieve both quality and equity within a system that is simultaneously guided by the market, by public funding and by the ongoing decisions adopted within self-governed institutions.

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