Higher Education Policy in the Philippines: An Analysis

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Abstract: This paper examined the Philippine higher education (HE) system focusing on the Long-Term Higher Education Development Plan (LTHEDP) implemented from 2001 to 2010. The LTHEDP 2001-2010 seeks to address the perennial problems of HE. The Plan also seeks to prepare the Philippines in embracing developmental opportunities for the twenty-first century such as globalization, information and communication technology, and the changing avenues for a knowledge-based economy. Within the LTHEDP Plan, the Philippine government implemented a policy of resource rationalization for the government-funded state universities and colleges (SUCs). The resource rationalization policy aims to limit the obligation of the government in financing higher education institutions (HEIs). Review and analysis of the present HE system reveals that the annual expenditure of the Philippine government in HE is not enough. As compared to other countries in Asia, the Philippines allocates a small percentage of funds for HE development initiatives. Findings further reveal that there is lack of prioritization in allocating public funds between and among educational institutions in the country. This paper recommends an appropriate level of expenditure for HE by the Philippine government to further improve human capital and boost national development.

Keywords: higher education, national development, financial policy

1. Introduction

The Philippines has been averaging at about 5% in economic growth rate. In 2013 however, according to Philippine National Statistical Coordination Board, its average rate of 7.2% in terms of economic growth in GDP is remarkable. This notable rise is being attributed to the increase in investor confidence for the administration of Pres. Benigno Aquino III and it is hoped to be sustained beyond his term in 2016. The perceived challenge to this growing economy is its preparedness in the so-called ASEAN Economic Community to start in 2015 where the region will be sharing its resources to generate the same standard quality of service, skill, and produce. Part of this integration is not just purely economic in nature but it involves mainly every agency including the education sector.

The Philippines has fully embraced new educational structure since 2013 to be at par with other countries as contained in Republic Act No. 10533 or the Enhanced Basic Education Act of 2013. The new system as shown in Figure 1 covers 1-year compulsory and mandatory preparatory education or kindergarten education for children. After kindergarten, the child has to finish 12 years of compulsory basic education broken down into 6 years of elementary education, 4 years of junior high school, and 2 years of senior high school. After graduating from high school, a student may opt to enroll in a 2-year vocational non-degree program or directly proceed to a baccalaureate degree program which normally takes 4 years. Education in the Philippines is being supervised by the following agencies: Department of Education (DepEd) assumes control of elementary and secondary education; Technical Education Skills Development Authority (TESDA) assumes control of vocational education at the post-secondary level; and Commission on Higher Education (CHED) assumes control of the college/university level. At present, a total of 2,299 higher education institutions (HEIs) are operating in the Philippines where 656 are public and 1,643 are private HEIs (CHED, 2013).

Investments in HE are crucial towards greater productivity, growth, and technological development in an expanding global market (Coombs, 1994:606; Nag, 2011; World Bank, 2012b:5). The benefits derived from HE are evident in the context of globalization, shift towards knowledge economies, and poverty reduction (WB, 2012b:5-6). For instance, a study in the United States found that raising the average level of schooling in the male labor force by one year increases the growth rate of GNP by as much as one percent (Addo, 2010:84). In the case of Korea, the average monthly income of university graduates increased 40 times between 1960 and 2000 (Lee, 2002: 198). Therefore, education can potentially maximize national development in the long term.

However, investments in HE seems to be limited in the Philippines for over a decade already. The government recently implemented new HE policy with a goal of rationalizing government spending while trying to impose measures of improving the quality of HE. Rationalization
efforts resulted in substantial reduction of government financial subsidy for public and private HEIs. This paper aims to examine and analyze the implementation of rationalization policy in the Philippines under the Long-Term Higher Education Development Plan (LTHEDP) from 2001 to 2010 and its potential impact to the future of HE.

The Long-Term Higher Education Policy in the Philippines

Six years after the establishment of CHED in 1994, the government created a significant reform measure through the LTHEDP 2001-2010 in partnership with Philippine Association of State Universities and Colleges (PASUC), Coordinating Council of Private Educational Association (COCOPEA), and HE consultants (Commission on Higher Education [CHED], 2001: 5). The implementation of LTHEDP is due to the following perceived reasons: rapid technological development, globalization, and updated recommendations from recent studies initiated by the World Bank, Asian Development Bank, and the Philippine government through the Philippine Education Sector Study in 1998 (CHED, 2001: XI).

The bases in formulating the LTHEDP were due to the following justifications (CHED, 1995: 19-21): increase in the number of HEIs, increase in enrollment, oversupply of graduates finishing non-board courses, poor performance in licensure examinations, unable to uphold moratorium policy, poor program accreditation results, complexities in governing HEIs, weak supervision and regulation, inequitable distribution of funds, difficulty in recruiting highly qualified and competent professors, and limited funding support for scholarship programs. Hence, the Long-Term Plan seeks to address the several challenges and align to the prevailing developmental opportunities facing the HE system in the 21st century (CHED, 2001: XI; Padua, 2003: 71).

The Plan is consistent with Section 1, Article XIV of the 1987 Philippine Constitution which states that “the State shall protect and promote the right of all citizens to quality education at all levels and shall take appropriate steps to make such education accessible to all” (Busto, 2011: 60). However, this right is not absolute as per definition from CHED. Although it is a social, economic, and cultural right, it is available only “on the basis of merit” in keeping with Article 26.1 of the Universal Declaration of Human Rights. The right further assures that there shall be no discrimination in granting access to HE on ground of race, gender, language, religion, or economic, cultural, or social distinctions, or physical disabilities.

During the first five (5) years of the LTHEDP 2001-2010, the Philippine HE system shall focus on systemic reforms in order to enhance its capability to respond to national demands and international challenges. During the second-half, the focus shall be the emplacement and operationalization of structures, policies, and programs to ensure the system’s performance as knowledge center in selected disciplines. The strategies of LTHEDP are based on the four goals of CHED as follows: 1) Efficiency and effectiveness; 2) Quality and excellence; 3) Relevance and responsiveness; and 4) Access and equity. This paper converged on the first goal regarding rationalization of HEIs in the Philippines. Under the first goal, five strategies are employed. First is the rationalization of the public HE system. In order to achieve rationalization, the strategies include the formulation and advocacy of legislative/executive measures to provide legal basis for rationalization initiatives. Another strategy is program rationalization by strengthening the typology [One strategy for rationalizing program offerings of HEIs is the adoption of a typology or classification that defines clearly the roles, functions and appropriate program offerings of each type of instruction. Consistent with the typology, specialized programs responsive to the needs of the region will be developed and HEIs identified to offer these shall be strengthened (CHED, 2012b)] of HEIs and promoting specialization among HEIs. Resource rationalization is also one vital strategy through the development and introduction of normative financing in the allocation of government subsidy to State Universities and Colleges (SUCs). To solidify these strategies, studies and pilot testing of various models about system restructuring will be implemented. Incentives and supports shall be provided for SUCs to offer resource-intensive, development-oriented and innovative priority programs. On the other hand, disincentives and sanctions will be imposed for SUCs offering programs not consistent with CHED’s mandates. Moreover, comprehensive HEIs shall also be encouraged to convert into more specialized institutions (CHED, 2001: 26-28).

Second, complementation and networking between and among public and private HEIs shall be carried out. Under this objective, there will be establishment of a local network of data exchange, sharing of expertise, facilities and other resources among HEIs, and implementation of collaborative multi-HEI projects. Third, maximize the powers of SUCs to generate and utilize revenues. The Higher Education Modernization Act of 1997 has empowered SUCs to generate and utilize revenues from non-government sources. Revenues and other sources include tuition fees, grants, income generating projects, marketing of intellectual products, fees for consultancy services, and cost recovery from recipients of state-funded educational programs. Under this strategy, tuition and other school fees in SUCs will also be rationalized to approximate full cost. Fourth, strengthen institutional capability of CHED and HEIs through strategic planning, training programs, and improved management information system. And fifth is the improvement of the policy framework and governance system through clearly defined policies (CHED, 2011: 28-29).

2. Findings and Discussions

This paper found that the LTHEDP 2001-2010 introduced a new reform policy in financing public HEIs in the Philippines. It is indicated in the Plan and other subsequent studies that the process of implementing budget reduction among public HEIs is through normative financing formula or the output financing model (Padua, 2003: 74; Santiago, Largoza, Ponce, Inral, Alba, & Rufino, 2002: 8; CHED, 2001: 27). Through the normative financing formula, the allocation of budget to public HEIs has changed from input...
financing model to output financing model. The input financing model is fraught with ambiguity and uncertainty as budgets are negotiated rather than justified (Santiago, et al., 2002: 8). However, the output financing model is anchored on quality program offerings, programs addressing access and equity issues, and thrusts on national development priorities.

The three core functions of HEIs such as instruction, research, and extension services are the bases in determining output. Normative financing methodology also includes financial incentives based on acceptable and appropriate norms and standards. The model deals with the purchase of student places (outputs) in programs that are priorities of the government. The outputs will be allocated by CHED taking into consideration enrolments in the previous year on the grounds that students already enrolled in the HE systems can reasonably expect to be financed until they graduate.

The allocation of financed student places shall also take into account quality indicators, government priorities for national development, and sanctions that prevent duplication of programs offered by the private sector (CHED, 2001: 27). This sanction forced HEIs to either fund their other expenditures through alternative revenue sourcing or efficiently utilize their resources. The output model seeks to eliminate degrees or programs that are no longer profitable in a certain strategic location and can be better served by other HEIs in other regions.

The use of the Normative Financing Model (NFM) for SUCs is anchored on the premise that CHED will take the role of a Higher Education Funding Council (HEFC). This premise is based on the fact that among all agencies of the national government, it is CHED who directly deals with SUCs (Padua, 2003: 74). The original funding formula as illustrated in Figure 2 takes into account parameters related to: (a) quality; (b) demand; and (c) typology for HE courses. Measurement of quality in terms of SUC program is a tedious exercise (74). Quality can be inferred from some surrogate measures, which is to say that if the quality of a certain program is perceived then it will be measured as equivalent to “1”, while if it is not perceived then the measurement equivalent will be “0”. The measurement of quality can be done either by looking into the program level of accreditation or into the passing percentage in licensure examination as compared to the national average (75).

Demand parameter can be measured from the point of view of the end-users of the HE graduates. Thus, demand needs to be based on a labor market information system (LMIS). However, in the absence of such, CHED opts to adopt a ranking of HE courses based on priority needs. Thus, the measurement of demand would be “1” if the program is within CHED’s priority list and “0” if it is not (75). On the other hand, the typology parameter is critical since it is an issue of how an HEI will be classified (75). An institution or SUC can be classified into the prevailing school of thought such as agricultural, science and polytechnics, normal schools or comprehensive universities. Thus, the measurement of typology will be “1” if the program is within SUC typology and “0” if it is not (75).

The constants ‘a’, ‘b’, and ‘c’ are positive weights (percentages) applied to the parameters Quality (Q), Demand (D), and Typology (T). The determination of such weights may come from CHED. On the other hand, the cost per student per program should account for the investment needed to educate one (1) student in a given program at a level comparable with international standards (Padua, 2003: 75-76). However, Padua (2003) argued that since the Philippines’ cost per student is below international standards, it needs to be abandoned. CHED may have to compromise costs observed in the public school system and the private school system to be able to fill cost per student per program (76). After determining the number of student places and the cost per student per program, a SUC budget can then be derived.

![Figure 2: Normative financing formula for SUCs in the Philippines **](image1)

Note: ** - The formula has been reformulated over the years Source: Padua, 2003: 74

As a result, the new model of financing led to the incremental decrease or rationalization of annual budget for HEIs.

**Analysis and Assessment of the Rationalization Policy**

One remarkable achievement of the Plan is the resource rationalization where the normative financing model was successfully implemented by CHED. Latest available data reveals that the total public expenditures on educational institutions and administration as a percentage of GDP for tertiary education went down from 0.4% in 2001 to 0.3% in 2008 (UNESCO Institute for Statistics [UIS], 2012; The World Bank, 2012a) as shown in Figure 3.

![Figure 3: Total public expenditure on educational institutions and administration as a Percentage of GDP, tertiary level, 2001-2008](image2)

For primary education, the total public expenditure in 2008 is 1.4% although lower than in 2001 at 1.8%. The total public expenditure in the secondary level for educational institutions and administration as a percentage of GDP was 0.7% from 2001 to 2008 (The World Bank, 2012a; UIS, 2012). Hence, it is clear that the government spends less in HE sector compared to primary and secondary education sectors.

With regards to the rationalization policy, students who belong to the low income deciles might not be able to access HE due to limited number of SUCs. Also, stringent entrance examinations being imposed are found to be correlated with economic status (Arcelo, 2003: 33). Limited number of priority programs also affects the student’s decision in choosing a course that suits his/her innate interest. Ironically, private HEIs will have certain degree of benefits with the rationalization policy.

The differentiated budget of the government by level of education has been the trend ever since the American regime in the 1900s. One perceived reason why the government puts more budget in elementary and secondary education is to improve the literacy rate of all children as the foundation for a better and peaceful world (Nilekani and Lewis, 2009). Furthermore, the government is also being pressured to attain its commitment for universal primary education in 2015 (Lim, 2011; OPP, 2012a). The commitment is part of the Millennium Development Goals (MDGs) spearheaded by the United Nations Educational, Scientific and Cultural Organization (UNESCO) seeking to end poverty by 2015 (UNESCO, 2012). In general, according to latest data obtained, most of government funding goes to basic education initiatives. The issue of imbalances in terms of allocating expenditures to education is still a norm (WB, 2000: 27-43).

Table 1: Total public expenditure on education as a Percentage of GDP, selected countries, 2001-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Korea, Rep</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>4.1</td>
<td>7.5</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>2002</td>
<td>4</td>
<td>7.7</td>
<td>3</td>
<td>4.1</td>
</tr>
<tr>
<td>2003</td>
<td>4.4</td>
<td>7.5</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2004</td>
<td>4.4</td>
<td>5.9</td>
<td>2.6</td>
<td>4.2</td>
</tr>
<tr>
<td>2005</td>
<td>4.1</td>
<td>--</td>
<td>2.4</td>
<td>4.2</td>
</tr>
<tr>
<td>2006</td>
<td>4.2</td>
<td>4.7</td>
<td>2.5</td>
<td>4.3</td>
</tr>
<tr>
<td>2007</td>
<td>4.2</td>
<td>4.5</td>
<td>2.6</td>
<td>3.8</td>
</tr>
<tr>
<td>2008</td>
<td>4.8</td>
<td>4.1</td>
<td>2.7</td>
<td>3.8</td>
</tr>
</tbody>
</table>


Looking into the public education expenditure of other countries as shown in Table 1, the Philippines’ budget is minimal. For instance, Korea, being one of the highest performers of PISA in the world maintained a ceiling of around 4% in their total public expenditure on education as a percentage of GDP. Korea’s total public expenditure on education as a percentage of GDP was 4.1% in 2001 then jumped to 4.8% in 2008. In the case of Malaysia, there was a decrease of its budget for education from 7.5% in 2001 to 4.1% in 2008. Likewise, Thailand’s public expenditure on education as a percentage of GDP is 5% in 2001 then it went down to 3.8% in 2008. Still, average budget of Malaysia and Thailand for education are higher compared to the Philippines. The Philippines might then want to follow the path of Korea in terms of public expenditure for education.

3. Policy Recommendations

This paper found that the Philippine government’s spending on HE is not enough. Expenditures of other countries into the HE sector is much higher than the Philippines. Having enough cash to spend on HE brings better economic impact to the country as it produces balanced growth for the development of human resources towards national development. There is also a need to balance financial resources between Philippine basic education (elementary and secondary levels) and HE since both are interrelated and complementary in boosting national development.

What is needed to be taken further consideration is that the allocation of HE funding should be in line with government strategic priorities for economic development so as not to waste funds. It is definite that normative financing approach is better than input financing. However, the government might facilitate measures in helping SUCs in this transformation stage by looking for other sources of income. Perhaps establishing partnerships between SUCs and private industries can be one alternative to improve the resources of SUCs and at the same time enhance appropriate skills needed by the knowledge-based economy. One perceived key is to expand financial rationalization measures to include not only the public HEIs but also those private HEIs. For instance, expansion of research is one important benefit to encourage public and private HEIs to excel in their field of expertise. Such partnerships must be rationalized and be carefully facilitated so that all SUCs will get a fair share of benefit. Private investments such as scholarships, student loans, or part-time job programs for students can help alleviate financial burden on the part of students and their families.

Table 2 shows an update of the government’s funding for research and scholarship programs. These recommendations follow the cost-sharing pattern of Korea’s HE system wherein the family, students, and government share cost in funding HE aside from private companies (Hawkins, 2011: 20). Above all, accountability and dedication to serve for better quality of life might be the qualities to sustain such complementation and sharing of resources for the Philippines to be better prepared for the ASEAN economic community in 2015.

It is important to note that public funding plays a critical role for access and equity in HE. According to the World Bank (2012b: 101), public funding have a critical role to support research, science, technology, education, and mathematics (STEM) fields. The intervention of the government for existing and would-be partnerships between private sector and HEIs is of utmost importance until a university or college is proven capable of managing its own resources. Government funding for research and scholarship programs should be expanded to enhance human capital competitiveness. Therefore, long-term planning in higher education is needed to be sustained for the next ten years. Table 2 shows an update of the government’s funding...
allocation to higher education institutions including the Commission on Higher Education.

Table 1: Total public expenditure on education as a Percentage of GDP, selected countries, 2001-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Agency</th>
<th>Total (in Billion Pesos)</th>
<th>% as to Total GAA &amp; Aggregate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>SUCs</td>
<td>22.402</td>
<td>1.72</td>
</tr>
<tr>
<td></td>
<td>CHED</td>
<td>1.668</td>
<td>0.13</td>
</tr>
<tr>
<td>2011</td>
<td>SUCs</td>
<td>22.035</td>
<td>2.20</td>
</tr>
<tr>
<td></td>
<td>CHED</td>
<td>0.925</td>
<td>0.09</td>
</tr>
<tr>
<td>2012</td>
<td>SUCs</td>
<td>22.097</td>
<td>1.77</td>
</tr>
<tr>
<td></td>
<td>CHED</td>
<td>1.420</td>
<td>0.11</td>
</tr>
<tr>
<td>2013</td>
<td>SUCs</td>
<td>32.770</td>
<td>2.40</td>
</tr>
<tr>
<td></td>
<td>CHED</td>
<td>2.782</td>
<td>0.20</td>
</tr>
<tr>
<td>2014</td>
<td>SUCs</td>
<td>35.934</td>
<td>2.23</td>
</tr>
<tr>
<td></td>
<td>CHED</td>
<td>6.941</td>
<td>0.43</td>
</tr>
</tbody>
</table>

Source: Department of Budget and Management, 2014

Government spending to HE is proposed to be equal to or even higher than annual inflation rates. Data reveals that the average annual inflation rate in the Philippines for the past decade is 5.12 percent (UIS, 2012; WB, 2012a). Government spending on education should be at least 4.5 percent. Of course, to be able to accelerate national economic development, spending should be given equal importance to both HE and basic education.

4. Conclusion

The rationale behind the formulation and implementation of the normative financing formula or input financing under the Long-Term Higher Education Development Plan is to address the perennial challenges and cope with prevailing developmental opportunities facing the higher education sector in the 21st century. With the rationalization of resources brought about by input financing, SUCs in the Philippines have to judiciously spend the meager subsidy given by the government. These institutions are forced to find other means in financing their operational costs. Other SUCs put huge financial burden to students by exponentially increasing tuition and matriculation fees for them to sustain annual expenditures. Given that all the positive weights mentioned in the formula are complements of quality, demand, and typology, certain degree of manipulation can be done under prevailing circumstances. Despite the implementation of input financing reforms, it is imperative that government’s investment to the higher education sector should be amplified. This move will put the Philippines in a better position to surmount the impending challenges of the ASEAN Economic Integration and to be at par with other countries not only in Asia but in the whole world.

References


**Author Profile**

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