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European Private Higher Education in the Digital Age - With a Focus on Germany

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Abstract

Private higher education (PHE) in Europe has experienced significant expansion in recent decades, making it an increasingly important player in tertiary education. This report offers a comprehensive analysis of PHE across Europe, with a particular focus on Germany. Utilizing data from the European Tertiary Education Register (ETER) and Eurostat, we examine the quantitative landscape of private institutions, their financial sustainability, and their role in expanding access to higher education.

Germany presents an important country-level case study, with its growing private HE sector coexisting alongside its well-established public higher education system. The report explores key factors driving the expansion of private universities, including rising demand, demographic shifts, and the increasing cost pressures on public institutions. We introduce the concept of "marginal costs" to highlight the economic challenges of expanding access to tertiary education, particularly when it comes to first-generation students and those requiring additional academic support.

We then look at how private institutions have increasingly adopted flexible learning models, leveraging digitalization and artificial intelligence to enhance efficiency and reduce growing marginal costs. Through case studies of four German private universities, we identify four business models, ranging from large-scale online providers to niche, high-tuition institutions.

Our findings indicate that PHE is actively expanding in Europe. One means of this expansion is digitalization, which can reduce marginal costs and fuel expansion. The report concludes by outlining future research directions on the role of PHE in fostering educational access, efficiency, and innovation.

Keywords*:* Private Higher Education, Europe; Germany, Massification, Digitalization, Business Models.

Contents

Executive Summary

European PHE

- Europe's PHE is highly uneven. However, of Europe's PHE students, 80% study in six countries: Turkey, France, Germany, Spain, Poland, and Italy.
- The distribution of HEIs by size is highly uneven, with a few gigantic universities and numerous small and micro-institutions.
- European PHE and HE, in general, are facing challenges due to an aging population and a decline in the number of young people.
- Since 2013, public enrolment in Europe has remained stable, while private higher education (PHE) has demonstrated significant growth.
- The massification of HE continues with the share of the population with tertiary education increasing in all European countries.
- The marginal costs of attracting talented students increase as new strata enter HE that require more intensive resource use: first-generation students and other groups.

German PHE

- The first private German university was established in 1983 (i.e., Witten/Herdecke University).
- As of 2023, there are 111 private HEIs (Universities and UASs) in Germany.
- Around 16% of German HE students attend private HEIs (Eurostat).
- Private HEIs vary in size from very small (with less than 200 students) to huge (> 100,000 students, e.g., IU Internationale Hochschule).
- Only 14 private HEIs can award doctorate degrees in Germany.
- Most private universities are non-profits, while UASs may be either for-profits or non-profits.
- The funding structure of private HEIs varies. Tuition fees can compose as little as 30% (University Witten/Herdecke) of all funding or as much as 96% (IU Internationale Hochschule). The average share of funding that tuition fees cover is 75%.
- Most private research universities focus on a narrow set of subjects.

- Only three private universities in Germany offer all levels of HE (including PhD-granting rights) and cover a broad range of subjects: Constructor University, Zeppelin University, and University Witten/Herdecke.
- Private HEIs are unevenly spread across Germany, with more than 20 campuses across Baden-Württemberg, Berlin, and North Rhine-Westphalia, but none in Mecklenburg-West Pomerania and Saxony-Anhalt.
- German private universities use different business models: some pursue rapid growth facilitated by digitalization, others prefer to remain selective and stay in their niche.
- Challenges for private universities:
    - **Competition for "low-cost" students**: Private universities must compete with public institutions that offer significantly lower study fees.
    - **Financial Sustainability**: The reliance on tuition fees as the primary source of income makes private universities vulnerable to fluctuations in student enrolment.
    - **Struggle to attract and retain high-quality faculty**: Because PHEIs in Germany are not as well-known, stable, or prestigious as public universities, they can struggle to retain high-quality faculty.
    - **Integration of Digital Technologies**: While private universities tend to be more agile in adopting online learning tools, the pace of digital transformation can be overwhelming. Investment in technology, such as AI-driven learning platforms and virtual classrooms, requires significant resources and expertise.

Introduction

Private higher education (PHE) in Europe has experienced significant growth and transformation over the past few decades. Private higher education institutions (PHEIs) now play a crucial role in meeting student demand, particularly in fields like business, economics, and the social sciences.

This report examines the state of private higher education across Europe, focusing on key trends, the economic and demographic context, and the evolving role of private institutions in the digital age. PHE is a dynamic sector marked by its ability to adapt quickly to changing market conditions and technological advancements.

Germany provides a compelling European case study with its blend of traditional public universities and its growing private sector. In this report, we explore the quantitative landscape of PHE in Europe, study the factors driving its growth, and discuss the opportunities and challenges faced by private institutions as they navigate an increasingly digital and competitive higher education environment.

The theoretical framework of this report centres around the concept of "marginal costs" in HE, particularly in the context of expanding access to tertiary education. Marginal cost refers to the cost of educating one additional student, including all necessary resources such as teaching, administrative support, and infrastructure. As the demand for HE grows—especially with the inclusion of new student groups like first-generation students, migrants, and those with lower academic preparedness—the marginal costs of educating each additional student also increases.

In the European context, where populations are aging and the number of young people is decreasing, universities face challenges in maintaining student numbers. To keep enrolment figures stable, institutions are increasingly recruiting students who require more resources to succeed academically, thereby driving up the overall costs per student. This report uses the concept of marginal cost to highlight the financial pressures on HEIs. It explores how private institutions help to absorb some of these costs by offering alternative, often more cost-efficient, pathways for students.

PHEIs in Germany actively adopt more flexible and cost-effective models, such as online learning and AI-assisted education. These innovations help mitigate the rising costs of educating additional students, making private institutions a key player in addressing these broader challenges of educational massification and democratization in Europe.

The report claims that PHEIs in Europe play a critical role in increasing access to tertiary education by offering more flexible, cost-efficient models, such as digital learning and AI-driven tools, which help alleviate the increasing marginal costs faced by HEIs. We supplemented our desk research with interviews with senior executives at four German private universities. This allowed us to create stylized descriptions of the business models of four private universities in Germany.

European Private Higher Education

Quantitative Description of the European HE Landscape

To set the stage for our exploration of private higher education in Europe with a specific focus on Germany, it is important to provide a quantitative description of the European HE landscape. This description relies on the European Tertiary Education Register (ETER)—a comprehensive database of European HEIs with data on enrolment, finances, staff, and research. The database provides comparable statistics for most European countries and allows for analysis across countries and over time. ETER also provides data on enrolment, disaggregated by individual institutions.

HEIs in ETER are classified as "public," "private," or "private, government dependent." The last class applies if the HEI is private but receives over 50% of its funding from the government. In the literature, there is no agreement on how to report these government-dependent private institutions: to include them in the private category or consider them separately. We follow the advice of Levy (2016) and report government-dependent HEIs separately. In the following section, we show that by size they resemble public HEIs rather than private ones.

As indicated by the data presented in Table 2, 32% of all Higher Education Institutions (HEIs) in the listed countries are private, with an additional 13% being government-dependent private institutions. The remaining 55% are public institutions. The highest proportion of private institutions is found in Montenegro, Cyprus, Kosovo, Luxembourg, Slovenia, North Macedonia, Albania, Portugal, and Czechia, all exceeding 50%. In Belgium, Denmark, Finland, Iceland, and Sweden, private HEIs exist only as government dependent. In Germany, the share of private HEIs in terms of the number of institutions is 33%, which is the same as the average for all listed countries.

For this analysis, we include Turkey among European countries. Turkey should be considered part of Europe in this context because it actively participates in European educational initiatives and frameworks. Geographically, Turkey is a transcontinental country with territory in both Europe and Asia. It is a longstanding member of the Council of Europe and a participant in the Bologna Process, aligning its higher education system

with European standards. Turkish universities engage in European programs like Erasmus+, facilitating student and faculty exchanges with other European institutions. Including Turkey provides a more comprehensive view of higher education trends and practices across the continent. Turkey is included in both Eurostat and ETER datasets, which makes comparisons possible.

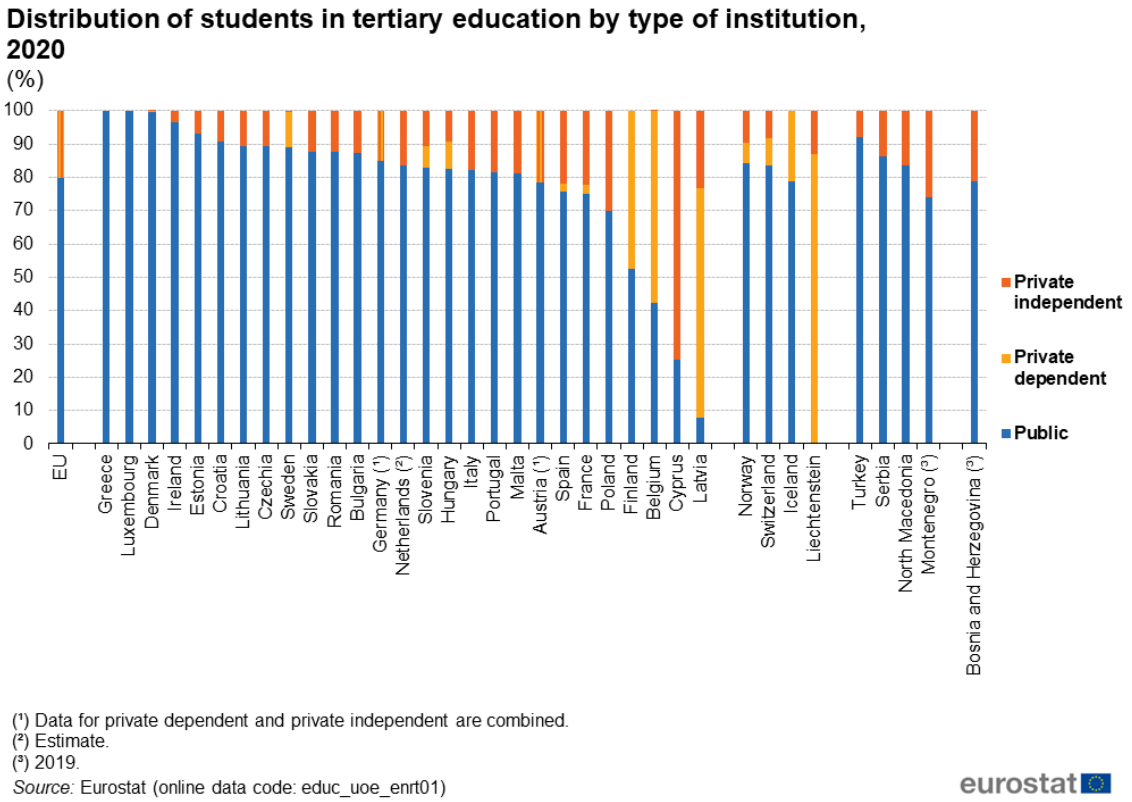
Number and Share of PHE Students in European Countries

In addition to examining the number of institutions, understanding the distribution of students is crucial for comprehensively assessing the educational landscape. Different sources provide slightly different estimates of HE and PHE enrolment across Europe. In this report, we use Eurostat data when aggregate figures are concerned and supplement them with ETER microdata for more fine-grained analysis, such as plotting the distributions of HEIs by size.

The ETER provides an unprecedented opportunity to compare these indicators across Europe based on microdata. The table in Appendix 2 provides the number of students at public, private, and government-dependent HEIs—the graph in Appendix 4 visualizes these data.

According to Eurostat in Europe, on average, around 20% of students attend private HEIs (see below).

Figure 1: Figure 1. Distribution of students in tertiary education by type of institution, 2020, %.



(1) Data for private dependent and private independent are combined.
(2) Estimate.
(3) 2019.
Source: Eurostat (online data code: educ_uoe_enrt01)

eurostat

The distribution of HEIs by size is highly uneven, with a few gigantic universities and numerous small ones. However, the data suggest that private HEIs have a relatively smaller student population compared to public institutions.

Table 1: Summary statistics for the number of students of European HEIs (including the UK).

	Public	Private	Private Govt. Dept.
N	1366	683	311
Min N.Students	24	5	74
Max N.Students	3492833	66488	152250
Avg N.Students	15099	3537	12405
Median N.Students	5739	1153	8230

The Dynamics of the Share of PHE in Europe

In terms of the dynamic of the share of PHE, Eurostat provides data for 2012-2021. Data for earlier periods is available from the OECD database. We have combined the two datasets to present a longer trend of the share of PHE. Overall, the share of PHE in European countries has been growing. There are several countries in which this indicator has grown significantly. See the figures below.

Several notes are in order. First, the UK is excluded from the graph below as it is likely that figures for the UK are misclassified (Levy, 2016). All universities in the UK have been reported as private by Eurostat, while this does not reflect the actual situation. Levy suggests classifying all students in the UK as public. However, this also seems unsatisfactory, as there are private HEIs in the UK. We thus do not report the figures for the UK in this graph.

Second, for this graph, we opted for inclusiveness and combined private institutions and private government-dependent institutions. As a result, however, Finland and Belgium appear as outliers with an unusually high share of private HEIs. In both cases, this is due to the large share of private government-dependent HEIs (see tables in the Appendix).

Third, in the case of Greece, Eurostat reports that the country has a 100% public HE system without any private universities. Similarly, ETER reports 0 PHE students for Greece. This is due to the country's legal system, which does not allow for private HE. However, private universities exist in Greece as branches of foreign universities.

We can see that 1) since 1985, the share of PHE has grown significantly across Europe, 2) the variation in the share of PHE across all countries has significantly increased, and 3) the European average of 20% is not informative, as there is considerable variation across countries in the share of PHE.

The following figure shows a subset of countries for which the share of PHE has grown significantly since 2013.

Figure 2: Share of students in private HEIs 1985-2021. Sources: 1985-2011 OECD, 2012-2021 EUROSTAT.

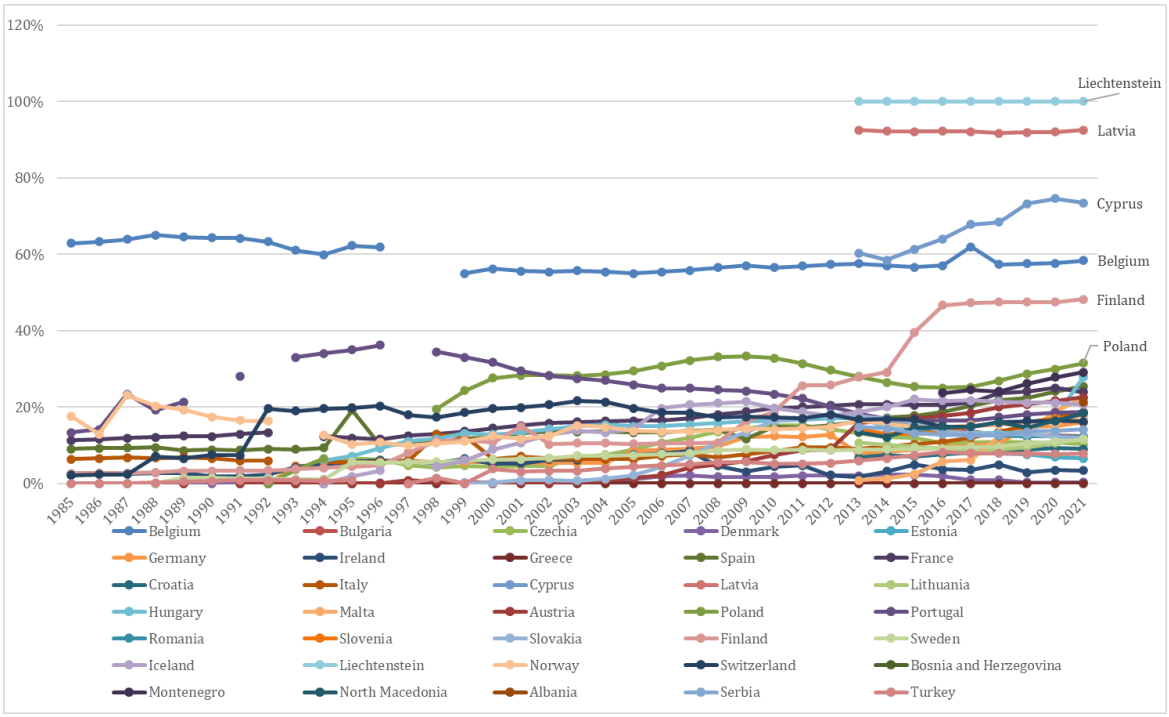
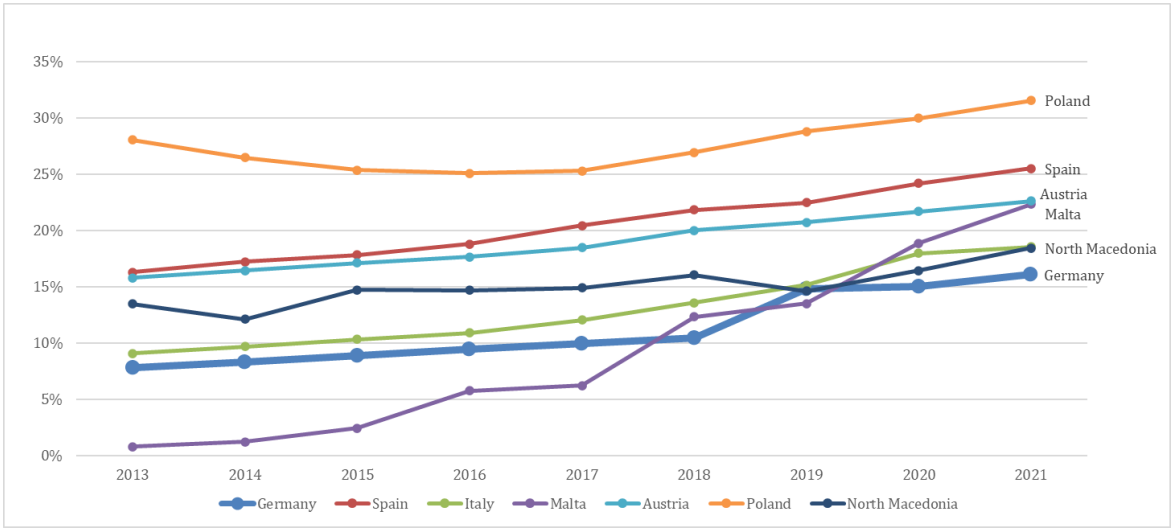


Figure 3: Countries with a growing share of students in private HEIs. Source: Eurostat.



For a subset of countries, we observe a rapid growth of the share of private HEIs. See the figure above. Germany is highlighted.

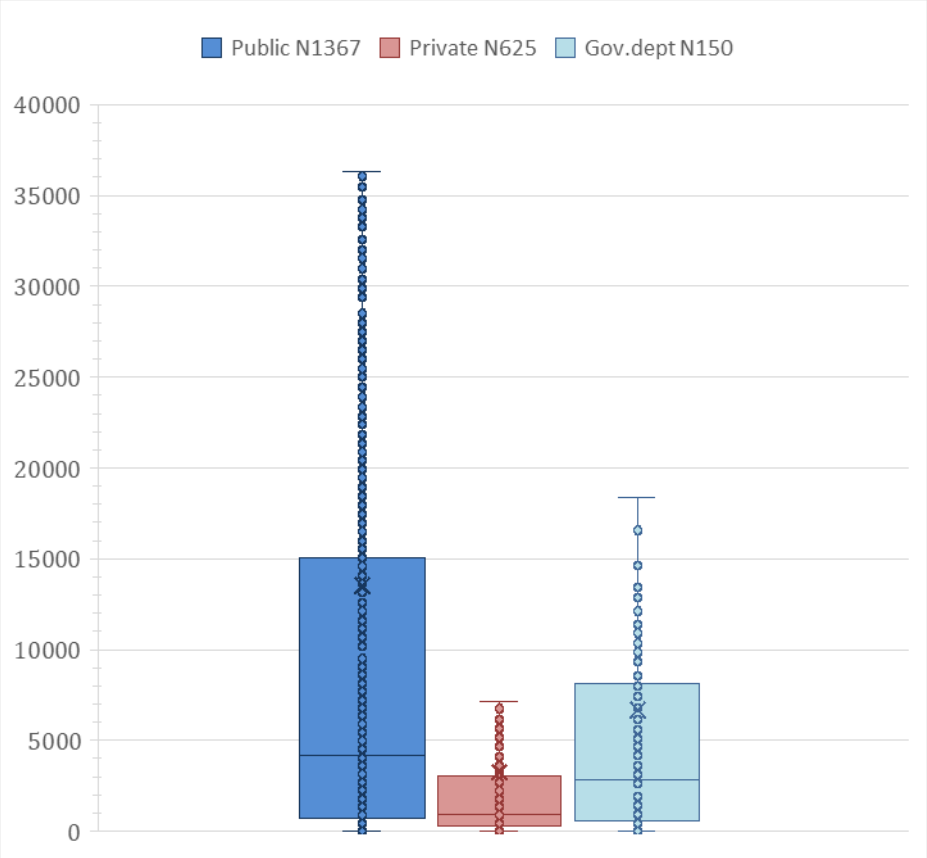
Microlevel Analysis of the European HE Landscape

The ETER database provides an opportunity to analyse European HEIs at the micro level. This adds a level of detail that is not possible to achieve with Eurostat's aggregated data. By analysing microdata, we can see that the HE system in Europe is highly diverse and uneven. There are a few gigantic universities and numerous small and micro HEIs. The graphs below use a "box with whiskers"[1] diagram for visualizing microdata from ETER. The graphs depict the distribution of all European HEIs. One university completely dominates and dwarfs all the others. This is Anadolu University in Turkey, which reports 3.5 million students.

Private universities in Europe tend to be smaller than public ones. We also see that private government-dependent universities appear distinct from both public and private HEIs by size. Dependent universities are much larger than the private ones.

[1] The box represents the interquartile range (the middle 50% of the data), the line inside the box shows the median, and the "whiskers" extending from the box show the range of the data, excluding outliers which are plotted as individual points.

Figure 4: The distribution of European HEIs by student number, excluding the UK, without outliers. Source: ETER.



The lion's share of PHE students are in six countries: Turkey, France, Germany, Spain, Poland, and Italy (these are government-independent HEIs). These countries account for 81% of total students studying in PHE.

Table 2: The largest countries by the number of PHE students. Source: EUROSTAT.

	Country	**PHE students**	**%**
1	Türkiye	645079	17%
2	France	592382	15%
3	Germany	539093	14%
4	Spain	525602	14%
5	Poland	425240	11%
6	Italy	389061	10%
	Total	3116457	81%
	EU27	3845329	

The ETER database provides figures for the number of private HEIs and the share of private HEI students. Unfortunately, France does not report the data to ETER, but the overall picture is similar to that of EUROSTAT.

Northern Cyprus needs to be noted as an outlier. It has the highest density of universities per capita in Europe. Turkish universities accredit many universities in Northern Cyprus and offer lower-cost higher education to international students. ETER data does not indicate whether the reported statistic is for Cyprus or Northern Cyprus. It may be assumed that the data is for both parts combined.

HEIs in the largest PHE countries vary significantly in size. The graph below shows the distribution of HEIs by number of students. The table below provides summary statistics.

Figure 5: Private HEIs by number of students, no music/arts/theology / run by the church.

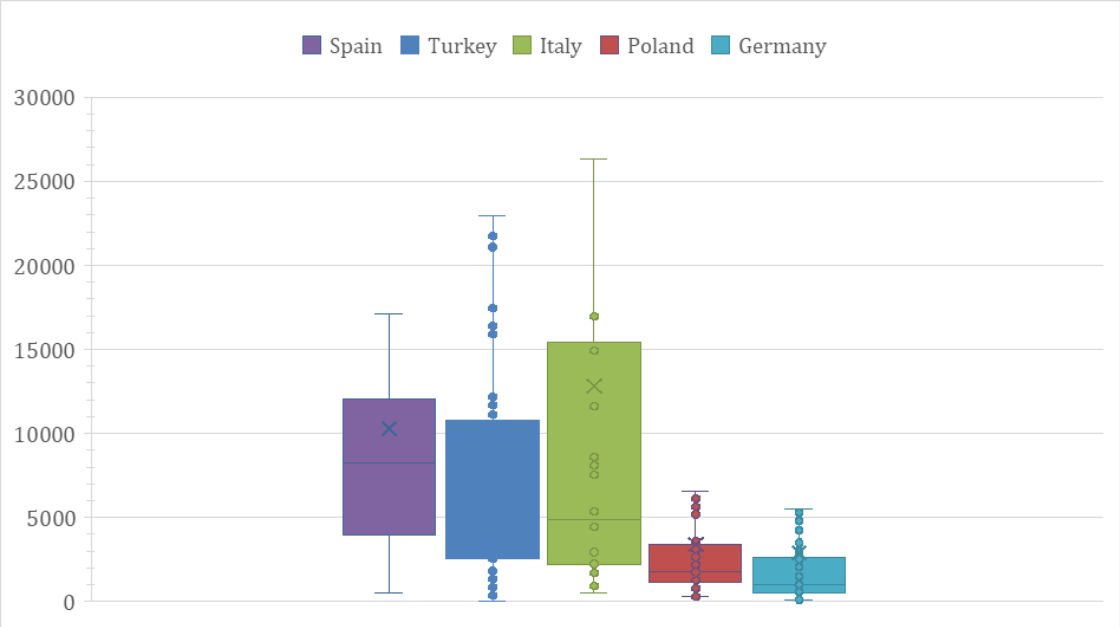


Table 3: Summary statistics for the five biggest PHE countries.

Country	Spain	Turkey	Italy	Poland	Germany
N	34	78	22	106	115
Median N of students	8,247	5,683	4,900	1,786	1,017

The ETER data shows that Germany has the most significant number of private HEIs, but they tend to be considerably smaller than those in Spain or Turkey. See that the "whiskers" of the boxes are wide in all five countries, indicating the presence of large private universities.

The Economic and Demographic Context of Higher Education in Europe

It is important to consider the dynamics of HE and PHE in a broader demographic context. Europe's population is already one of the oldest in the world and is aging, with fewer young people joining the population each year[2]. However, enrolments in higher education have not been declining—until recently—but have been growing steadily. Some of this growth came from international students and immigrants, but a significant proportion has come from the domestic population. The proportion of the population with a tertiary degree continues to grow in all European countries, which means that new groups are entering higher education. One important group is first-generation students (FGS)—i.e., students whose parents did not receive tertiary education. Studies have shown that this is a growing group and that they have special needs and difficulties in adjusting to the "student role." In terms of economic analysis, recruiting these students increases the "marginal cost" for universities, as these students often have less academic preparedness and face various challenges in adjusting to university life. The social importance of higher education thus poses a challenge for national governments: Higher education must maintain its role as the "legitimizing myth" of social mobility (Carnoy, 2024), but the continuing massification means that the "marginal cost" per student of higher education is rising, driving up the cost of higher education institutions and potentially jeopardizing the quality of higher education provision. In this context, private HEIs have an important economic role to play in "absorbing" demand for higher education and reducing the cost of provision for public institutions.

Marginal Costs of a Student

Martin Carnoy, in his book Political Economy of Education (2024), refers to the most academically skilled students as the "lowest cost" students from the point of view of

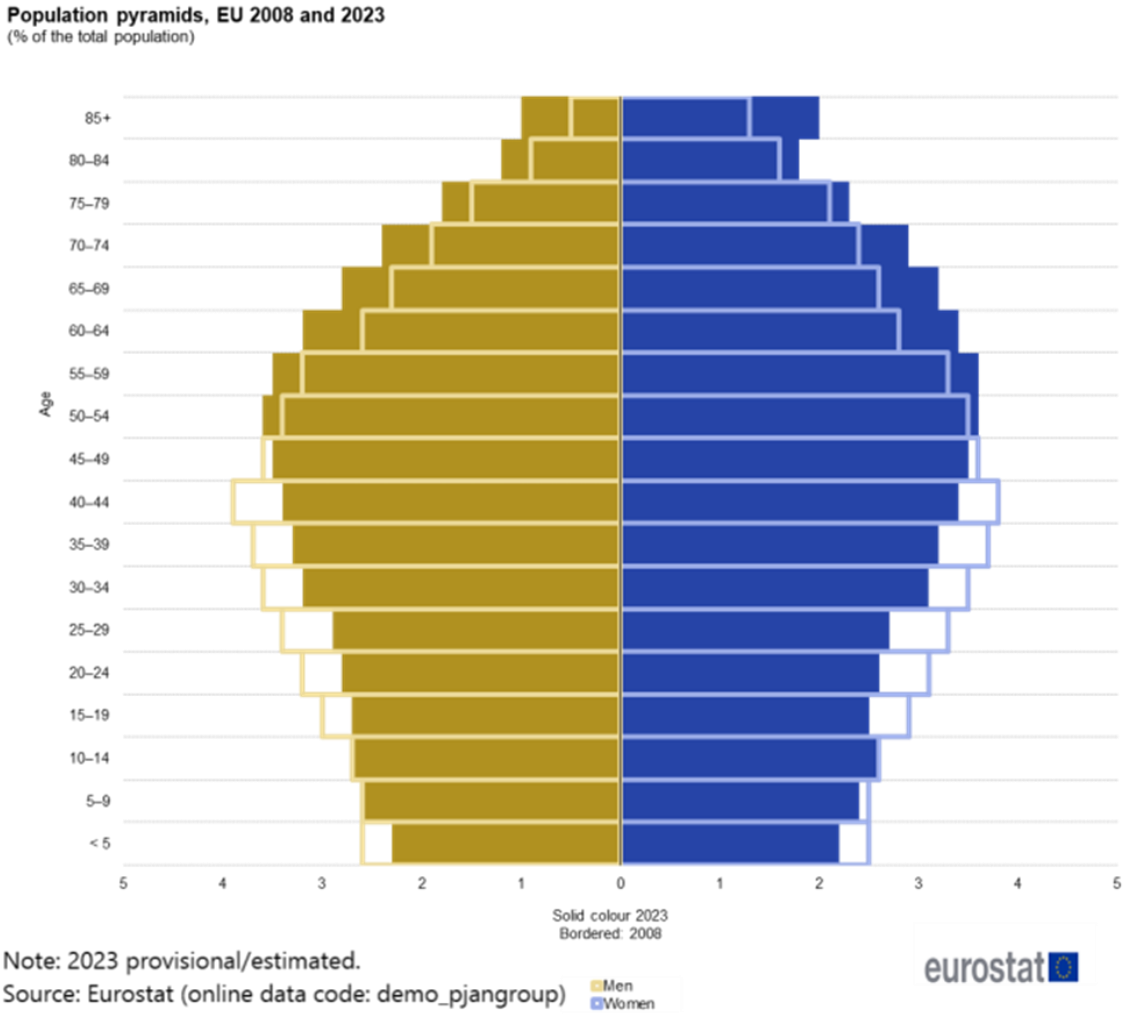
[2] Turkey is a notable exception.

universities. Universities seek to attract these "lowest cost" students. The costs of providing education to students with lower aptitude are considerably higher.

Marginal cost (MC) is the cost of enrolling one additional student. Costs here are meant to include all efforts required to educate a student (including support services, work of academic and non-academic staff, etc.). Because universities need to recruit from shrinking cohorts, the marginal costs become higher with every additional student. Rising marginal costs also drive the Average Costs (AC) up. We use the concept metaphorically when applying it to students because these costs are not easily accounted for. Nevertheless, it is a crucial concept for understanding the context in which HE operates in Europe.

With a falling absolute number of potential students and rising or even stable enrolment, one should expect that those people who previously did not participate in tertiary education will now pursue academic degrees. Because universities recruit from a shrinking pool of young people, they need to be less selective and recruit those who have lower academic preparedness to keep up their enrolment figures. The graph below depicts the demographic pyramid for the European Union.

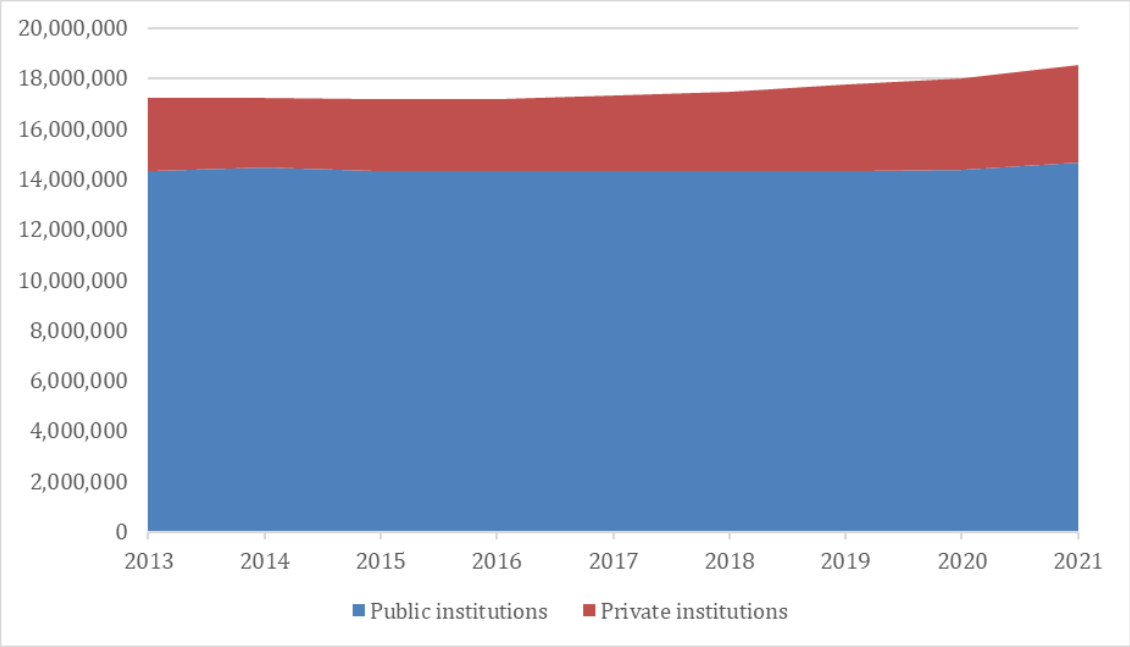
Figure 6: EU 27 population pyramid in 2008 and 2023. Source: Eurostat.



Eurostat provides the following comment: “The share of the population aged 65 years and over is increasing in every EU Member State.”

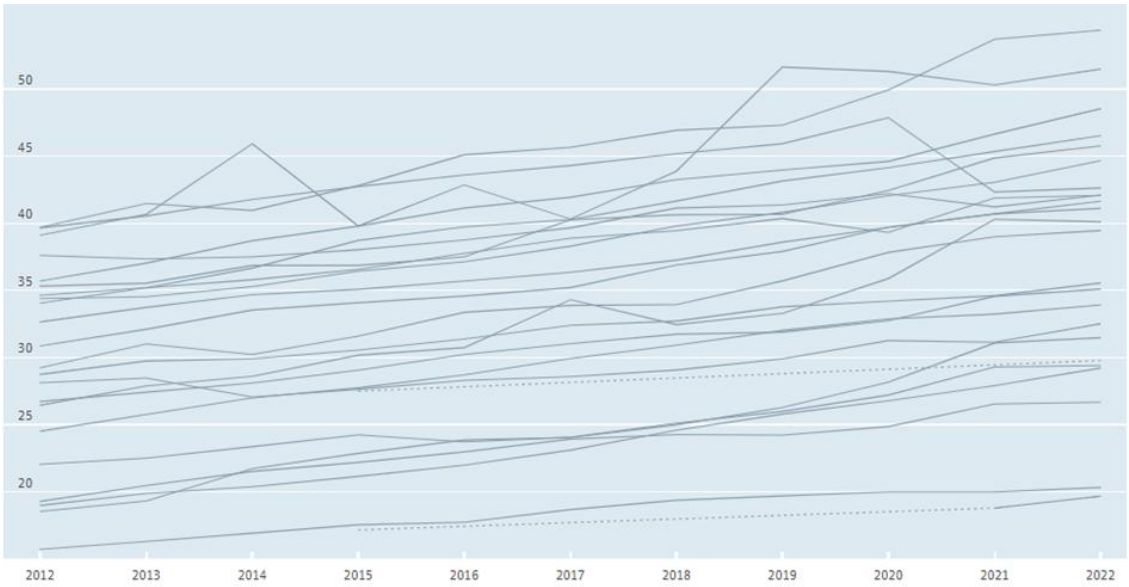
The figure below shows the dynamics of enrolment in public and private HE in Europe. Since 2013, public enrolment in Europe has remained stable (at the level of around 14.6 million, while private higher education (PHE) has demonstrated significant growth (the growth was 1 million from 2013 to 2021—from 2.9 million to 3.8 million).

Figure 7: Public and private enrollment in EU27, Source: Eurostat.



When we consider the dynamics of enrolment numbers, we can see that the higher education sector is growing predominantly due to the growth of PHE. Enrolment in public institutions has stagnated in recent years, whereas the number of PHE students has grown considerably. Thus, PHE is not only increasing its share of the pie but is also making the pie bigger. The graph below shows the growing share of the population with tertiary education in European countries. It has grown in all countries.

Figure 8: Share of population with tertiary education. Countries shown on the graph: Austria, Belgium, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden. Source: OECD.



In this context, we should expect heightened competition for the "lowest cost" students. Public universities are likely to be unwilling to reduce enrollment figures since they are linked with state funding. Private HEIs, in turn, are interested in attracting the most academically prepared students, who are less costly to educate. We should expect active efforts from both public and private HEIs to attract academically prepared students.

Cost of Higher Education and the Role of Private Higher Education

In the European context, an important role of PHE is helping to reduce average costs per student. The table below summarizes the dynamics of HE costs per student between 2010 and 2019 in a subset of European countries and shows that in countries where costs per student fell, the share of PHE grew significantly. PHE may provide the needed increase in efficiency. Without increased efficiency, the falling average costs per student may mean worsening HE quality (e.g., higher student: teacher ratio, larger classes, less personal attention to students). However, PHE may help mitigate these effects and ensure efficient provision of higher quality HE. The table below shows the change in the per-student cost of tertiary education in OECD countries in constant 2021 US dollars. The rightmost column shows the change in the share of PHE in these countries between 2013 and 2020 in percentage points.

Table 4: Average cost per student and share of private education in European OECD member countries. Source: NCES, National Center for Educational Statistics, EUROSTAT (the share of PHE), own calculation. PHE includes both government-independent and government-dependent private HEIs.

	Expenditure per student constant 2021 $				
Country	**2010**	**2019**	**Diff 2010 - 2019**	**% Diff Exp. per student**	**Diff. Share PHE pp.**
Finland	22,793	19,158	-$3,634	-19%	+20
Italy	13,545	12,615	-$930	-8%	+9
Spain	16,653	14,434	-$2,218	-15%	+8
Germany	23,066	20,344	-$2,722	-14%	+7
France	20,292	18,822	-$1,469	-8%	+4
Netherlands	22,775	22,067	-$707	-3%	+3
Slovenia	11,821	15,548	$3,726	32%	+3
Iceland	11,600	17,142	$5,542	41%	+2
Sweden	26,130	27,302	$1,172	5%	+2
Poland	8,933	13,367	$4,433	63%	+2
Portugal	13,002	12,069	-$932	-7%	0
Belgium	21,143	22,317	$1,174	6%	0
Estonia	9,119	17,430	$8,311	123%	0
Lithuania	9,515	11,451	$1,936	27%	0
Latvia	7,663	12,576	$4,913	72%	0
Norway	24,485	28,508	$4,023	16%	-1
Denmark	25,863	22,985	-$2,878	-11%	-2
Czech Rep.	10,695	18,073	$7,378	73%	-3
Slovak Rep.	7,699	12,962	$5,263	70%	-5

In Germany, the per-student expenditure has significantly decreased (14%). The share of PHE grew by seven percentage points. We infer from this table that PHE plays an important economic role: it takes some of the economic strain away from the public educational system.

Conclusion: Efficiency and Digitalization

We have shown that in recent years most of the growth in enrolment in HEIs in Europe occurred in private HEIs. While public enrolment stagnates or even shows a decline, private enrolment is growing even in the context of negative demographic trends. We attempt to explain this trend via the concepts of marginal costs, efficiency, and digitalization. Private universities are more active in implementing online education and

AI, helping to drive down the costs of teaching. Countries in which PHE has demonstrated significant growth have shown lower average costs per student. Thus, PHE not only "absorbs the demand" for higher education caused by massification but is also opening new opportunities for students and reducing the average cost of education by actively engaging with online learning and AI-assisted teaching and administration.

In this context, private HEIs are interested in driving down the costs of teaching and utilizing economies of scale provided by new technologies (e.g., online learning and AI). Higher education providers aim to increase efficiency. One way HEIs significantly reduce the cost of education provision is by implementing modern digital technologies like online learning, Generative AI, personalization, etc.

In Germany, private HEIs offer 770 online programs, while public HEIs offer only 288 online programs. Of all online programs, 56 are offered in English and 1,001 in German. Among public HEIs, 105 online programs are offered by universities and 179 by Universities of Applied Sciences (UAS). For the private sector, almost all online programs are offered by UAS (767 out of 770).

While we have not been able to locate comprehensive evidence to suggest that public universities universally lag behind private ones in terms of digitalization, some noteworthy cases can be emphasized. The example of the largest German UAS—IU Hochschule—is illustrative: IU has demonstrated rapid enrolment growth (to over 130,000 students) by actively implementing AI and online learning. IU's AI-driven teaching assistant, Syntea, offers personalized interaction, enabling students to ask study-related questions anytime and receive immediate feedback.

For-profit private HEIs rely on student tuition and leverage economies of scale that emerged during and after the COVID pandemic, including online learning and AI. These innovations give private universities the tools for driving down costs and expanding enrolment. Public universities do not depend on tuition and do not seek profit; they thus lack the incentive for the expansion and implementation of online learning and AI.

Funding and Financial Sustainability of Private Universities

The Funding Landscape and Competition in Germany

According to dependency theory (Slaughter & Leslie, 1997), organizations develop different characteristics depending on the sources of their funding. If organizations are funded predominantly by government allocations, they will be different from organizations that rely primarily on user charges (such as tuition fees). Thus, information on sources of funding not only indicates where the HEI gets money from (as if these sources were interchangeable) but also indicates the likely profile of the HEI, its organizational structure, and management.

The second important conclusion from dependency theory is that organizations engage in competition for different resources and the nature of these resources determines the mode of competition (Orr, 2009). Competition for government grants takes a different form from competition for tuition fees. Organizations relying on different mixtures of sources of funding engage in different modes of competition and, as a result, develop different organizational characteristics.

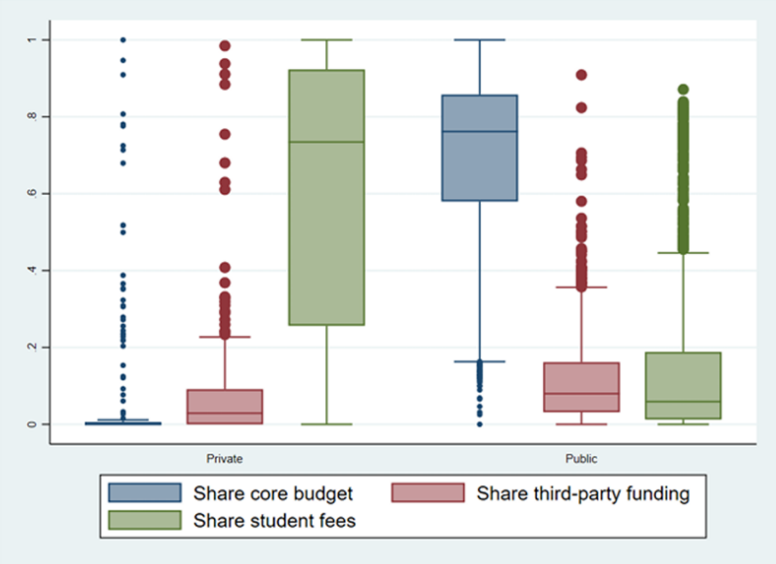
Moreover, because of Germany's federalism, private universities located in different federal states operate in different regimes of government funding. In some cases, private universities may benefit from public funds; in other cases, such funds are inaccessible to them. This also generates different modes of competition and results in different organizational forms of HEIs across Germany.

Primary Sources of Funding for Private HEIs

Since private universities tend to receive minimal financial support from the government, they rely on various other funding sources to finance their services. Amongst their most common sources of funding are tuition fees, which range between 1,000 and 8,000 euros per semester in Germany, but can exceed 20,000 euros per year at some universities.

The ETER database includes information on the revenues of HEIs. The graph below shows the distribution for private and public HEIs. For private HEIs, student fees dominate, while public HEIs are funded through "core budget funding" by the state.

Figure 9: Composition of revenues for public and private HEIs. Source: https://zenodo.org/records/5083016.



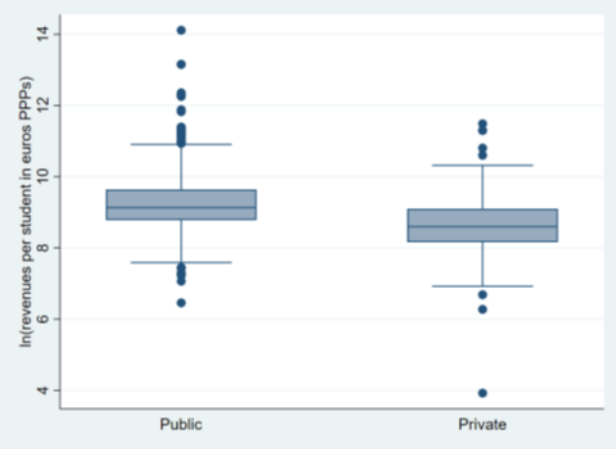
There are also many other complementary income streams, such as donations from individuals, corporations, or foundations; endowments; research grants from government agencies[3], research foundations, and other organizations; and alum contributions through donations or scholarships.

Funding per Student

The figure below shows the distribution of European HEIs by funding per student. Expenditure per student is lower in private HEIs.

[3] Expert opinion: It should be noted that research grants cover research projects, but they do not pay for the university itself. This is because German and European overheads are low, and they cannot be changed at will by university leadership.

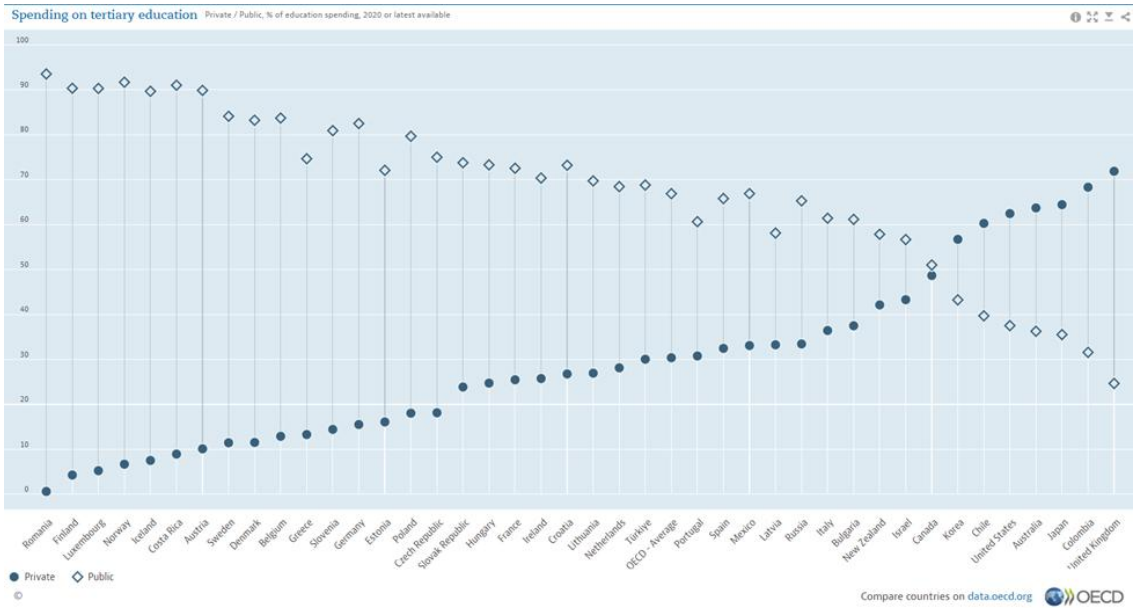
Figure 10: Funding per student by type of institution. Source: (The ETER project, 2019, p. 19).



Private and Public Spending on Higher Education

According to OECD data, there is a significant disparity between OECD members in terms of spending on higher education as a percentage of private or public spending. The graph below shows this disparity (Germany is highlighted).

Figure 11: Spending on tertiary education. Private / Public, % of education spending, 2020.



The German Landscape of Private Higher Education

The German higher education system comprises three main types of institutions, categorized by their focus and educational approaches: traditional universities (Universitäten), universities of applied sciences (UAS) (Fachhochschulen), and colleges of arts and music (Kunst- und Musikhochschulen). Universities are also sometimes referred to as "research universities" or "full universities" (Mitterle, 2017).

Traditional universities in Germany, such as the University of Heidelberg and the Humboldt University of Berlin, have evolved to emphasize academic research and theoretical knowledge more than universities of applied sciences. They offer a wide range of subjects and academic programs (both bachelor's and master's) and require students from all degree programs to complete a thesis or dissertation in their final semester or year of studies, providing an opportunity for research work. Some of them also offer doctoral degrees (German – Promotion).

In contrast, UAS prioritize practical skills and vocational training. They often have closer ties to industry and the job market, incorporating internships and/or practical projects into their curricula. Students attending these institutions are typically trained for specific professions like engineering, business, or social work, and these institutions tend to offer fewer master's programs than research universities. However, one should note that the status of the UAS is changing now. While the emphasis on vocational training remains, many UAS can now offer PhD programs, and many UAS BSc graduates move on to pursue a PhD at a university. This has been termed the "academization" of the German education system (Wolter & Kerst, 2015).

According to the Hochschulkompass (Hochschulrektorenkonferenz, 2023), as of 2023, there are 86 universities of applied sciences, 19 universities, 3 HEIs of other types, and three schools of art and music, totaling 111 HEIs. However, the estimate of the number of private HEIs varies slightly between sources, as some institutions may be categorized under several types (Mitterle, 2017).

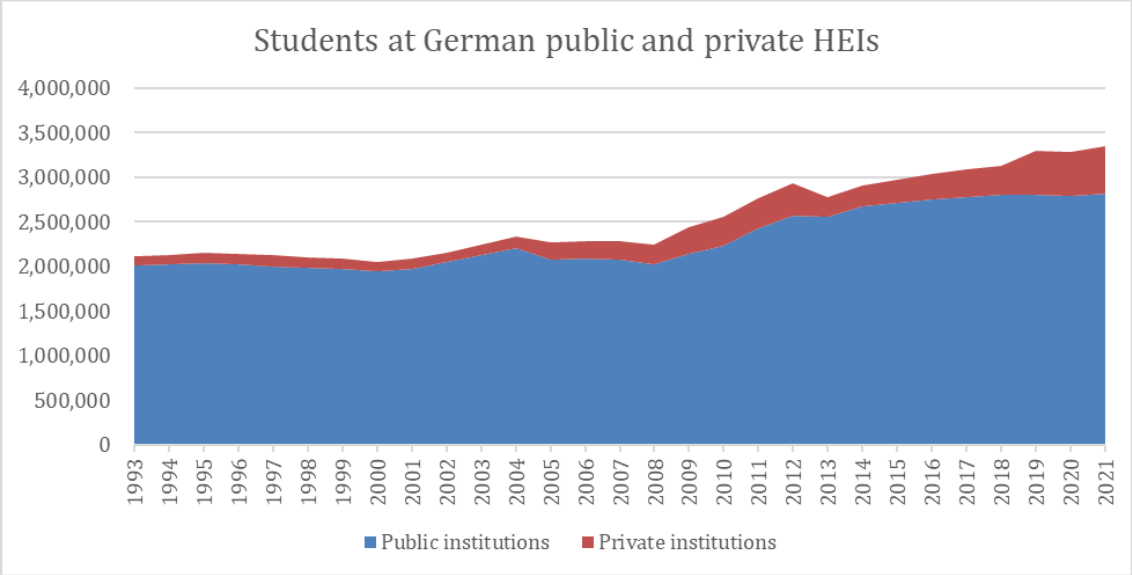
Brief History of the Private Higher Education Sector in Germany

The private higher education sector in Germany has a relatively short history, as all institutions within the country's higher education system were public until the establishment of Germany's first private university—Witten/Herdecke University—in 1983.

The need for private universities before the 1980s can be illustrated by an academic journal article from 1982: "Overcrowding, government intrusion, central government control over admissions, political agitation, and increasingly cumbersome internal administrative procedures...all made more rigid by the Hochschulrahmengesetz enacted by the federal government - have been among the objects of this discontent" (Nolden, 1982, p. 213).

According to some commentators, the quality of education at German public universities at that time was strong in comparison to the quality of other major educational systems, such as the USA and the UK. This may be one reason why private higher education institutions in Germany have historically played a minor role. However, this role has grown since 2000. By the end of the 20th century, many influential German scientists and policymakers considered private universities as an important innovative force to help the country compete in a knowledge-based economy. This favorable climate for private higher education resulted in the opening of private HEIs such as International University Bremen (now "Constructor University Bremen") (2001), Hertie School of Government (2003), Zeppelin University (2003), and a few others. However, concerns remain regarding the financial sustainability of private HEIs and reliable sources of funding.

Figure 12: Enrollment in public and private HEIs in Germany.



Furthermore, the number of students attending private universities has risen significantly since 2010, while the number of public students has stagnated. More recently, the number of first-year students at public universities has started to decline, in contrast with rising figures for private universities.

A recent Times Higher Education article reads: "The average number of first-year undergraduates starting each year at state-run universities between 2019 and 2022 was 10 percent lower than in the preceding eight academic years, compared with a 50 percent increase at private institutions, - according to the Centre for Higher Education (CHE)" (Upton, 2023).

Distribution by Discipline

Compared to public universities, private universities' share of economics, law, and social sciences is considerably larger, whereas the natural sciences and humanities are much less represented.

Figure 13: Figure 14. Distribution of students by programs in private and public German universities across the disciplines of social sciences, medicine, STEM, fine arts, humanities, and others. Shown in % of students (Stifterverband für die Deutsche Wissenschaft.

To our knowledge, there are no private HEIs in Germany focusing on physics or chemistry.

The Variety of Private Higher Education in Germany

19 Private Universities

For private German universities, there is no single comprehensive ranking available. The most comprehensive CHE Zeit ranking ranks institutions separately by discipline without aggregating a single score. This makes the comparison of different institutions more complex. Below is the list of 19 private universities by region(Hansen et al., 2019):

Table 5: 19 private universities. Location, funding type, PhD awarding rights, and the number of students.

	University	**State**	**Status**	**PhD right**	**Students**
1	Steinbeis Hochschule	Berlin	For-profit		6,381
2	Frankfurt School of Finance and Management	Hesse	Non-profit	Yes	3,389
3	Witten/Herdecke University	North Rhine-Westphalia	Non-profit	Yes	2,894
4	WHU Otto Beisheim School of Management	Rhineland-Palatinate	Non-profit	Yes	2,004
5	EBS University of Business and Law	Hesse	Non-profit	Yes	1,764
6	Constructor University	Bremen	Non-profit	Yes	1,531
7	Dresden International University (DIU)	Saxony	Not explicitly mentioned		1,382
8	ESCP Europe	Berlin	Non-profit	Yes	1,164
9	International Psychoanalytic University	Berlin	Non-profit		876
10	Brandenburg Medical School Theodor Fontane	Brandenburg	Non-profit		844
11	Bucerius Law School	Hamburg	Non-profit	Yes	818
12	Zeppelin University	Baden-Wurttemberg	Non-profit	Yes	763
13	HHL Leipzig Graduate School of Management	Saxony	Non-profit	Yes	737
14	Hertie School of Governance	Berlin	Non-profit	Yes	716
15	European School of Management and Technology (ESMT)	Berlin	Non-profit	Yes	635
16	KLU Kühne Logistics University	Hamburg	Non-profit	Yes	378
17	Freie Hochschule Stuttgart	Baden-Wurttemberg	Not explicitly mentioned		307
18	Bard College	Berlin	Non-profit		263
19	Center for Jewish Studies Heidelberg	Baden-Wurttemberg	Non-profit	Yes	103

Comparison to Leading Public Universities

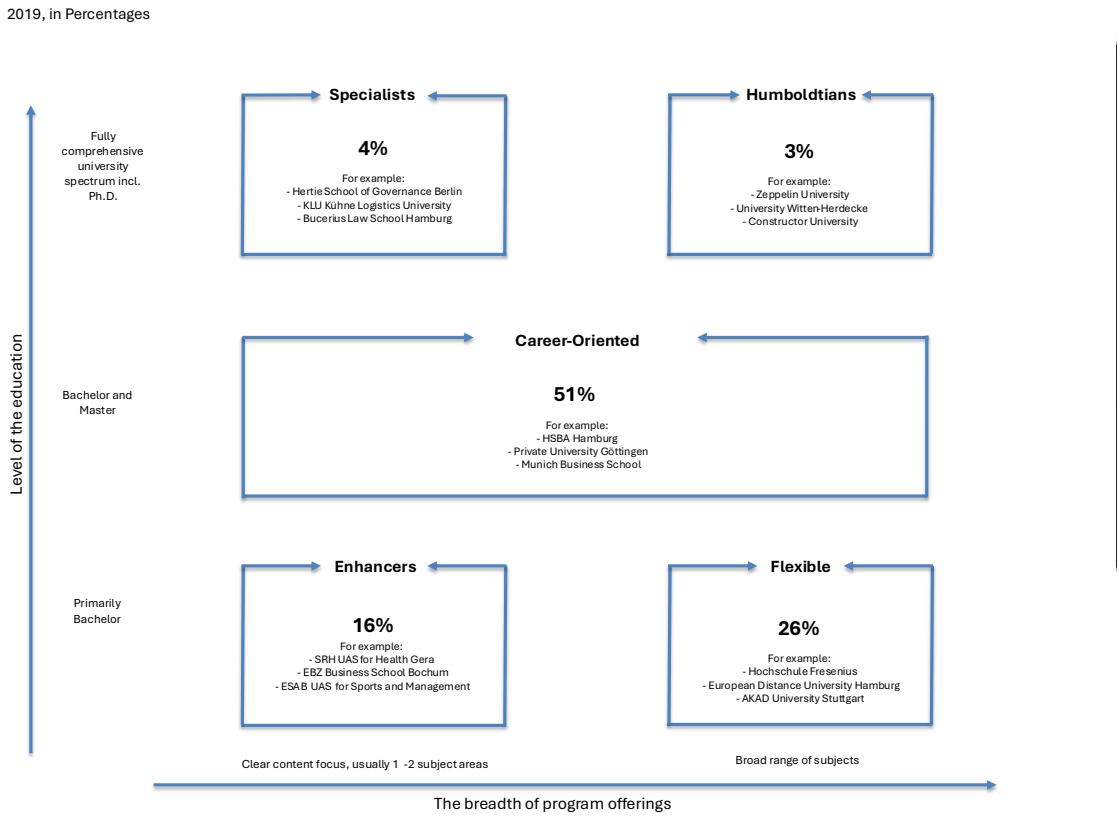
German public universities are among the best in the world. This is due to their strong research focus and well-established reputation. Moreover, with generous funding for free education and government funding for research projects, public universities possess a significant advantage over their private counterparts, who often struggle to finance

research initiatives on a large scale. Of the 41 German universities ranked in the top 500 best universities in the world (according to the Times Higher Education university ranking), 40 are public universities and only one (Constructor University) is private. However, the leading private universities still have other points in their favor. One of these institutions' most regarded qualities is their student-centered pedagogy, which is based on smaller group sizes and a lower student-faculty ratio, ensuring more attention from professors. For example, according to the latest THE Ranking, the public Free University of Berlin had a student-teacher ratio of 41.9. In contrast, the private Constructor University had a ratio of 21.6. This can make a significant difference in the student experience.

A Typology of Private HEIs

In their 2020 report on private universities, the Stifterverband für die Deutsche Wissenschaft e. V. introduces a helpful typology of private HEIs. According to this typology, private HEIs can be classified into five groups according to the breadth of their program offerings and the comprehensiveness of the provided educational levels. Some offer only Bachelor's degrees, while others offer all degrees up to and including a PhD. Some focus on a single discipline, whereas others cover a broad range of academic fields (Figure 15 below). Constructor University belongs to the minority group of "Humboldtian Universities"—those that provide the broadest range of subjects and cover all educational levels (top right corner of the figure below). The majority of private HEIs are oriented toward practical career-relevant education. Percentages in the figure below refer to the proportion of private HEIs in each category. This typology is an alternative to the University / UAS distinction.

Figure 14: Typology of private universities by levels of education and specialization. (Stifterverband für die Deutsche Wissenschaft e.V., 2020).



Humboldtian Universities by Discipline

Humboldtian universities offer the broadest range of disciplines and cover all educational levels; they have the right to award PhD degrees (Promotion). The three private universities that fall into this category are Constructor University, Zeppelin University, and University Witten / Herdecke. Below is the composition of disciplines according to the Hochschulen Datenportal.

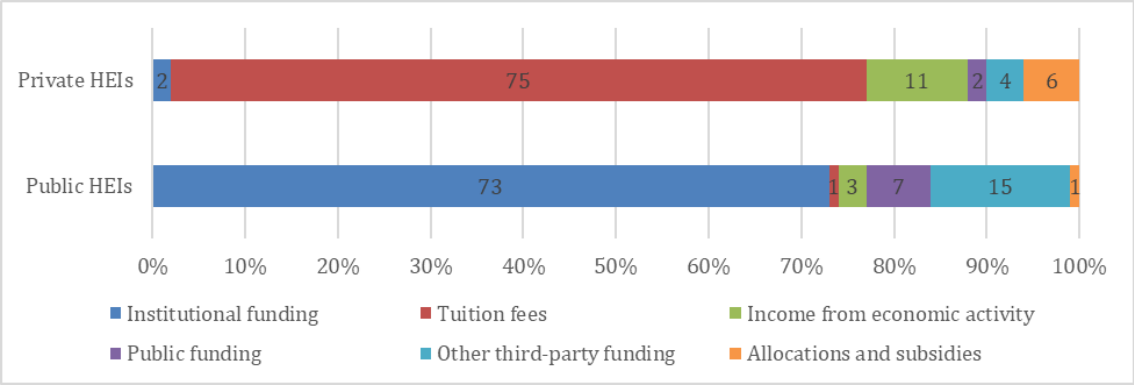
Table 6: Composition of disciplines at three "Humboldtian" private universities by percent of students (Stifterverband für die Deutsche Wissenschaft e.V., 2023).

	Constructor	**Zeppelin**	**Witten / Herdecke**
Discipline	**% of students**		
STEM	48.4		0.3
Economics, Law, Social sciences	45.6	80.6	37.2
Humanities	0.7	19.4	7.1
Medicine			55.3
Other	5.1		

Funding Structure

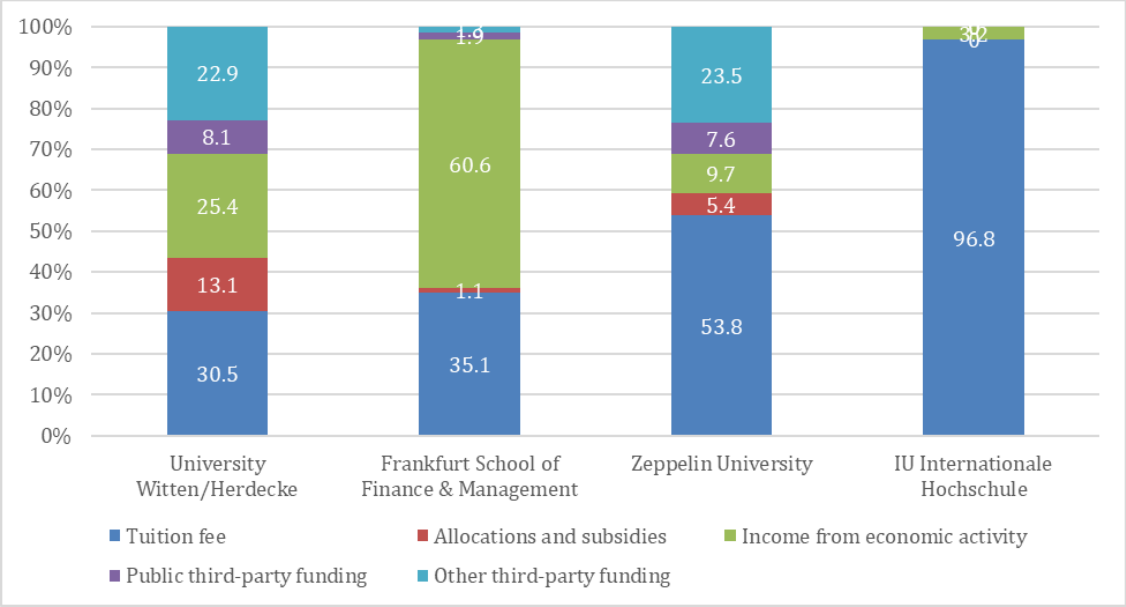
Below, we provide a diagram illustrating the average funding structure across all German HEIs (Figure 5) and for the selected five. Based on [specific criteria or data source].

Figure 15: Structure of public and private university funding (Stifterverband für die Deutsche Wissenschaft e.V., 2020).



Private HEIs in Germany predominantly depend on tuition fees (75%), whereas public institutions rely on institutional (core) funding by the state (73%). The share of tuition fees for public institutions is negligible.

Figure 16: The funding structure of selected private HEIs, Private Hochschulen Datenportal (Stifterverband für die Deutsche Wissenschaft e.V., 2023).



However, for Zeppelin University, we have an expert opinion that the share of tuition fees in 2019 was lower (closer to 40%) and that Zeppelin University received from the city and Zeppelin Foundation 6-7 million euros per year, which accounted for 30% of its annual budget. The figure above relies on data from the Private Hochschulen Datenportal; not all changes in funding structure are reflected in the database.

For-Profit and Non-Profit Private HEIs

Private HEIs in Germany may be either for-profit or non-profit. Both types of universities are required to meet the same standards in terms of accreditation and degree programs set by the German Accreditation Council. A comprehensive classification of non-profit and for-profit HEIs is unavailable. Correct attribution requires further research. We have classified the 19 private universities on this criterion. Out of the 19, only one is for-profit: Table 5 (page 24) above.

Among UAS, there are both non-profits and for-profits:

- Non-profits
    - FOM University of Applied Sciences, Economics and Management
- For-profits
    - Munich Business School

- IU Internationale Hochschule (IUBH), Erfurt
- Arden University Berlin
- SRH Hochschule Berlin
- University of Europe for Applied Sciences

Tuition Fees

Overall, average tuition fees at German private universities are lower than in many other developed countries. However, they vary widely from university to university. The table below presents average tuition fees by country, and the following table provides a selection of private universities and their tuition fees.

Table 7: Top ten most expensive countries to study in comparison to the average cost for secular private universities in Germany, based on annual average expenses reported in the 2016 Times-Higher-Education Survey (2016) (Hansen et al., 2019).

Number	Country	Average tuition fee	Average costs of living	Average total
1	USA	€ 36,439	€ 16,770	€ 53,209
2	Australia	€ 21,670	€ 14,733	€ 36,403
3	New Zealand	€ 19,690	€ 13,979	€ 33,669
4	Canada	€ 18,317	€ 9,626	€ 27,943
5	Hongkong	€ 14,700	€ 7,377	€ 22,077
6	United Kingdom	€ 10,472	€ 10,750	€ 21,222
7	Singapore	€ 13,835	€ 6,748	€ 20,583
8	Israel	€ 2,975	€ 16,221	€ 19,196
9	Switzerland	€ 1,341	€ 17,228	€ 18,569
10	Japan	€ 7,115	€ 9,735	€ 16,850
11	Germany*	€ 6,410	€ 7,416	€ 13,826
*Average annual tuition of private German universities				

Germany also has significant variations in tuition fees according to the specific university and region.

Table 8: Tuition fees at selected HEIs (Blöss, 2023).

HEI	Tuition fees for Bachelor's programs per year	Tuition fees for Master's programs per year
Constructor University Bremen	ca. €20,000[4]	ca. €20,000
Hertie School of Governance	-	ca. €18,300
Lancaster University Leipzig	ca. €16,500	ca. €22,500
EU Business School	ca. €13,500	ca. €15,000
Zeppelin University	ca. €11000	ca. €13,500
Macromedia University of Applied Sciences	ca. €11,000	From €11,000 to €13,000, depending on the campus
SRH Universities (Berlin, Heidelberg)	ca. €8,000	From €8,000 to €13,000, depending on the campus

Case Studies of Four Private German Universities

This section is based on a series of interviews with executives of German private universities held at the THE Europe Universities Summit at Constructor University in April 2024. Interviews focused on the issue of growth that private universities face in the current dynamic environment, and particularly on the issue of digitalization and the challenges and opportunities that it brings. Although we interviewed representatives of German private universities, our findings are relevant for other national contexts. We generalize these four models by employing two concepts from microeconomics: demand elasticity and marginal costs.

Demand elasticity measures how sensitive the demanded quantity of a product is to changes in price. Universities with more elastic demand find it challenging to raise tuition

[4] 20,000 EUR tuition, 8000 EUR room and board, 654 EUR fees. Total cost of attendance 28,654 EUR (https://constructor.university/admission-aid/financing-undergraduate). Expert note: the real income to the University from tuition fees is closer to 10,000 € per student.

fees without losing students to competitors, while those with inelastic demand can charge higher fees with minimal impact on enrollment. As described in the previous section, marginal costs—in this text—refer to the cost of enrolling one additional student. As universities expand, the marginal costs can rise, especially when targeting more resource-intensive students.

The four universities presented here reflect different approaches to managing demand elasticity and marginal costs, each representing a distinct model in the higher education market. We changed the names of the universities to reflect their respective business models.

Horizons University

Horizons University is a large, online-focused institution offering flexible and affordable programs with a strong emphasis on AI-driven learning tools. It serves a diverse student body, including working professionals and first-generation students, and is among the largest universities in Germany.

Horizons University operates in a highly competitive global market where price elasticity is high. Since it competes with numerous online education providers, the university cannot increase tuition fees easily without risking a loss of students. As it continues to expand in a world of limited resources, its marginal costs rise as it recruits students who require more resources, such as personalized learning support. However, by leveraging AI-driven tools and online learning platforms, the university manages to keep costs relatively stable, although continued growth will likely increase marginal costs further. The institution's focus on accessibility and affordability keeps it competitive in this market.

Pathways Academy

Pathways Academy is a mid-sized institution offering a blend of online and on-campus learning. Its primary appeal is its practical, job-focused programs and the prestigious

diploma validated by a foreign country. The institution enrols a majority of international students, with multiple enrolment opportunities throughout the year.

With a growing international student base, Pathways Academy capitalizes on its accredited degrees while maintaining a relatively low-cost, high-volume model. Its online format keeps marginal costs stable, as the institution uses pre-recorded lectures and modular courses that do not require constant faculty engagement. However, the university's ability to set higher tuition fees is limited by the high demand elasticity for its programs. Students at Pathways, like Horizons, are susceptible to price changes, as there are numerous alternatives for online diplomas. To remain competitive, Pathways Academy focuses on maintaining affordability while scaling up through online learning, ensuring stable marginal costs.

Mind University

Mind University is a small, elite liberal arts institution with a strong focus on face-to-face, discussion-based learning. It has a very high nominal tuition fee per year and is dedicated to supporting social mobility through financial aid and scholarships.

Mind University is more susceptible to rising marginal costs than Horizons or Pathways because of its small size and highly personalized educational approach. As the institution plans to expand, it is constrained by physical space, limiting growth opportunities unless a new building is constructed. Despite its high tuition fees, demand for its programs remains relatively inelastic, allowing the university to raise prices each year with little impact on enrolment. The strong brand and elite positioning of Mind University make it less vulnerable to demand shifts even as it raises costs. The institution's decision to avoid online expansion in favour of maintaining its traditional, high-cost model reflects its niche focus and elite market position.

Scholars College

Scholars College is a small, highly selective university focused on niche programs and face-to-face education. It has a strong reputation within Germany and caters primarily to domestic students, with a low percentage of international students.

Scholars College operates in a highly inelastic market, allowing it to maintain high tuition fees while keeping student numbers intentionally low. Unlike larger institutions, it has no plans for significant growth and prefers to remain selective, which keeps its marginal costs stable. By not expanding, the university avoids the rising marginal costs associated with recruiting a broader, less academically prepared student base. Its focus on maintaining elite status and providing discounts to select students ensures it holds its niche, catering to students who value prestige over high tuition. This business model allows the college to sustain high tuition fees without the need for aggressive expansion.

Table 9: Four business models of German private universities.

		Price elasticity of demand	
		Low	High
Marginal costs	Rising	**Mind**	**Horizons**
	Stable	**Scholars**	**Pathways**

Not all universities pursue growth-oriented strategies, especially in the era of digitalization. Some deliberately prefer to stay small and selective, thus avoiding the issues of massification and rising marginal costs. Scholars University is an example. It has no intention to grow and is content with its niche and a high reputation for selectivity. At the same time, Horizons University is pursuing further growth and aims to use digital tools to reduce the costs of education further and recruit more students.

Discussion

The expansion of private higher education in Germany reflects broader developmental trends across Europe, where demographic pressures and evolving student demands are reshaping the higher education landscape. Examining the empirical evidence from recent enrolment data and institutional growth patterns reveals several significant trends that illuminate the trajectory of private higher education.

The data presented in this report indicate several important trends. First, private HE has been growing even amid adverse demographics. While Germany's youth population has declined to historic lows, higher education enrolment remained stable until very recently. Notably, between 2019 and 2024, enrolment in public HEIs fell from 2.59 million to 2.46 million; however, private HEIs' enrolment grew from 246,000 to 372,000, which helped balance the overall. Indeed, the private higher education sector, which had only 39,000 students in 2004, now educates roughly 13% (give number) of all tertiary students in Germany. Our review suggests that this trend has been facilitated by PHE's ability to tap into new demand segments. For example, a significant portion of growth comes from first-generation students and international students who might not have been able to pursue higher education in the public system. Consequently, some private institutions have scaled up dramatically: Germany's largest university of applied sciences is now a private online-oriented institution (IU Hochschule with more than 130,000 students). Private HEIs are also growing in number, carving out niches (especially in fields like business, law, and social sciences), and adopting innovative models to serve evolving student needs. These trends in Germany likely reflect a broader European pattern in which private actors increasingly complement the public sector by providing additional capacity, specialized programs, and flexible delivery modes.

SWOT Analysis

These trends and data patterns enable us to conduct a strategic analysis of the private higher education sector's position in the current educational ecosystem. Based on the findings, we can identify key strengths, weaknesses, opportunities, and threats (SWOT) for the private higher education sector in the digital age, particularly in Germany:

Strengths: Private HEIs demonstrate adaptability and innovation. They have been quick to adopt flexible learning models, online programs, and artificial intelligence tools to enhance efficiency. This agility allows them to cater to emerging student demographics (e.g., working adults, international, and first-generation students) and niche fields. Private institutions also help absorb excess demand for higher education when public universities face capacity limits or funding constraints. Furthermore, many private providers operate with leaner bureaucracy, enabling curricular innovations and new teaching methods to be implemented faster than in traditional public universities (Kehm, 2022). These strengths position the private sector as a valuable "innovation lab" for higher education, pioneering approaches (such as fully online degrees or AI-assisted tutoring) that can later diffuse system-wide (Maes, 2015).

Weaknesses: On average, the private HE sector in Europe (and Germany) remains highly variable in quality. The majority of private institutions are relatively small and specialized, often lacking the breadth and research capacity of public universities. This finding coincides with Barbara Kehm's (2022) observation that most private institutions in Germany are viewed as "too small, too specialized, and often too mediocre to merit much public attention." Indeed, very few private universities in Germany are research-intensive; most are teaching-focused and career-oriented. Furthermore, financial sustainability can be a significant challenge for private institutions. They typically depend heavily on tuition fees or private funding, which can be precarious. In a country with strong norms of tuition-free public education, private HEIs (especially for-profits) may also struggle with public skepticism and legitimacy issues. Additionally, the private sector's growth potential might be constrained by difficulties in attracting top academic talent or research funding away from prestigious public universities.

Opportunities: Demographic and technological changes present significant opportunities. Digitalization is a major opportunity. As we discovered, private providers have embraced online education to reduce marginal costs and reach students beyond traditional populations. Moreover, the COVID-19 pandemic accelerated the acceptance of online learning, which many private HEIs have been

capitalizing on to expand nationally and even internationally. There is also an opportunity for PHE to serve new markets and unmet needs: for instance, providing programs for lifelong learners in aging societies, offering English-taught programs to attract global students–already, private HEIs offer more English-language undergraduate programs in Germany than public ones–and developing courses in emerging fields such as digital skills, AI, and entrepreneurship where agility is crucial. In short, PHE has the opportunity to become an integral partner in a diversified higher education ecosystem, complementing the public sector by providing innovative pedagogy, additional capacity, and competitive stimulus.

Threats: The private sector faces several external threats. A looming demographic decline in Europe means the traditional college-age cohort is shrinking, potentially intensifying competition for students. Economic downturns or shifts in disposable income pose a threat, as private institutions (especially for-profits) rely on tuition. During times of economic instability or recessions, students may retreat to tuition-free public options. There is also the threat of policy and regulatory changes. Governments might impose stricter quality controls or limit the expansion of for-profit providers due to concerns over quality or equity. Competition from the public sector is another threat. Public universities might respond to PHE innovations (e.g., launching their online programs or satellite campuses), which could reduce the private sector's niche advantages. This means that at least in Germany, PHE must continually prove its quality to overcome ingrained biases favoring public education. In summary, while private HEIs are on the rise, they must navigate demographic, economic, and regulatory challenges that threaten their long-term growth.

The evolution and expansion of private higher education also raise important questions about how these institutions should be governed and regulated within existing policy frameworks. In many European countries, the state is a key regulator for private HEIs. Germany exemplifies this: private institutions must obtain state approval to operate and state recognition of their degrees, which in practice requires rigorous institutional accreditation by authorized agencies. This governance model–a combination of strict

quality assurance and oversight coupled with operational autonomy–seeks to balance innovation with accountability. As the private sector expands, governments may need to adapt their regulatory frameworks to ensure quality without stifling the flexibility that often characterizes private HEIs. Another governance implication is the increasing convergence of public and private management practices. New Public Management reforms have influenced public universities in Europe, emphasizing efficiency, accountability, and performance metrics—trends that parallel how private institutions are often run. The growing competition from private and for-profit providers (including large online universities) is prompting public HEIs and policymakers to rethink funding models, governance structures, and stakeholder involvement in the higher education system. In the United States, for example, the proliferation of for-profit colleges and digital education has been identified as part of an "evolving competition" that adds pressure on traditional universities to reform governance and resource allocation (Maes, 2015). Similarly, in Europe, one can expect more hybrid governance approaches: public universities adopting market-oriented strategies and private institutions adhering to public-like accountability standards. This convergence calls for a flexible governance framework that can accommodate diverse institution types. In essence, we suggest that the governance of higher education must evolve from a binary public vs. private perspective to a more ecosystem-oriented approach.

Future Trends

Several key factors will likely shape the continued development of private higher education in Germany and determine its future role within the broader tertiary education system. One development we expect in the coming years is an extensive digital transformation of higher education. Private institutions are likely to further invest in online learning ecosystems, AI-driven tutoring, and data analytics to personalize education at scale. This will not only be a mechanism for reducing costs per student but also improving access – enabling PHEIs to reach learners beyond traditional populations. We may see the emergence of more pan-European or global private providers that operate primarily virtually, tapping into international student markets. Digitalization can fuel the expansion of PHE by lowering marginal costs, and this trend is expected to accelerate.

Another potential development is the diversification of offerings and business models among private HEIs. Thus far, German PHEIs range from niche elite institutions to large-scale for-profits. In the future, we might anticipate new models, such as private HEIs forming consortia or networks to share digital infrastructure. The sector could also see consolidation, such as mergers or acquisitions, creating a few major private university networks with broad program portfolios. Importantly, we expect that private HEIs will increasingly focus on lifelong learning and upskilling for adult learners, given Europe's ageing workforce and the need for continuous education in fast-changing industries. This aligns with the opportunity to serve new student segments and could make private institutions key players in workforce development initiatives.

For Germany specifically, one key question that remains is whether the private sector will continue its rapid growth in student share. If current trends hold, private HEIs might approach one-fifth of national enrolments in the next decade. However, this growth will depend on external factors: demographic decline will eventually limit absolute growth, and the public sector's policies—from reintroducing selective tuition fees to expanding capacity—could influence student choices. The cultural acceptance of private higher education in a traditionally public-oriented system will also shape the future of PHEI. As PHE becomes more commonplace and demonstrates successful outcomes (graduate employment, innovative pedagogy, etc.), societal scepticism may decline, leading to a virtuous cycle of greater acceptance and further growth.

The combination of digitalization and demographic decline is significantly changing the competitive landscape for private higher education. Data indicate that institutions that can use digital technologies to gain substantial economies of scale, especially those with flexible demand structures (e.g., Horizons University outlined in the previous section), are likely to capture a larger share of the market as demographic pressures grow. This might lead to winner-take-all dynamics similar to those in digital platform markets in other sectors and the creation of mega-online HEIs.

This concentration effect is strengthened by the cost advantages that institutions with advanced digital setups enjoy. These institutions can serve more students at lower marginal costs while maintaining service quality through AI-driven personalization and

support systems. On the other hand, institutions operating under inelastic demand conditions face a more complex strategic landscape (e.g., Scholars College above). While their market position offers some protection from direct price competition, the long-term viability of high-cost, low-volume models raises concerns. This is especially true as demographic trends shrink the absolute size of elite market segments.

The theoretical conclusion is that private higher education systems may shift toward a bimodal distribution. This would feature a small number of large-scale, digitally-enabled institutions serving mass markets alongside a decreasing number of ultra-elite, high-cost institutions that cater to increasingly narrow niches. This structural change has significant implications for system diversity, educational equity, and the broader social roles of higher education in European societies.

Implications for HE research

The insights gained from studying private higher education's growth and digitalization also contribute to our broader understanding of contemporary higher education research and theory. Beyond the immediate policy and market outcomes, the rise of private higher education in the digital age provides valuable insights for generalized higher education research. One implication is the reinforcement of classic theories of system change. As Martin Trow (1973) and Ulrich Teichler (2008) have noted, the mass expansion of higher education goes hand-in-hand with diversification of institution types (Langa & Zavale, 2015). The growing private sector in Europe exemplifies this diversification, adding new organizational forms, funding structures, and educational approaches to historically uniform systems. Scholars must now study the PHE sector as an integral part of the higher education ecosystem, rather than a peripheral phenomenon. For example, further research could investigate how private institutions contribute to overall system capacity and equity in access – do they primarily absorb excess demand or stimulate new demand by offering programs unavailable in the public sector? Indeed, the example of Germany—where PHE has grown even amidst demographic decline—suggests that private universities might be bringing new learners into tertiary education. This invites a broader theoretical discussion on the role of private provision amidst massification and trends towards lifelong learning.

Another research implication relates to innovation and organizational behaviour. The report demonstrates how private HEIs are pioneering digital innovations and new pedagogical models. This raises questions for higher education researchers: What are the effects of these innovations on learning outcomes and cost efficiency? How do private institutions manage quality at scale, and what governance mechanisms can ensure academic standards in predominantly online or hybrid environments? Furthermore, comparative studies between private and public institutions could shed light on different innovation cultures and incentives in higher education. In addition, the intersection of market forces and academic values in private HE is a fruitful line of study. As private universities (especially for-profits) become more prominent, researchers may examine issues like academic freedom, faculty work conditions, and student satisfaction in these institutions vis-à-vis traditional universities. Understanding whether (and how) the profit motive or entrepreneurial ethos impacts academic culture will contribute to the broader sociology of higher education.

Finally, this discussion points to the importance of studying governance and policy frameworks in mixed systems. The experiences of countries like Germany can inform a general theory of regulating private higher education: how can governments strike a balance that encourages innovation and investment in PHE while safeguarding public interest? The rise of private higher education in the digital age is a phenomenon that enriches the theoretical landscape of higher education research.

Conclusion

Further Directions for Analysis

Private universities are an important feature of the European HE landscape. They need to be studied more extensively and in several directions. Here we identify six key areas for future research:

1) Sources of efficiency for private HEIs compared to public HEIs;
2) Digitalization at private HEIs;
3) The role of state regulation in the development of PHE in different countries, including the subnational variance of the regulatory environment shaping PHE;
4) The quality of education at PHEIs and their competitiveness against public HEIs;
5) The role of PHE in providing opportunities for social mobility, democratization, and peace-building skills;
6) The legitimizing function of PHE and the relationship between the state and PHE in different countries.

These avenues of research will provide further insight into the role of PHE in the current turbulent environment of European HE.

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Appendix 1. Number of HEIs in European Countries

Table 10: Number of HEIs in European countries. Note: Included are all HEIs in the ETER database. Private HEIs also include ecclesiastical schools, as well as arts and music HEIs. Source: ETER, the reference year 2020. Montenegro, Vatican City – no data.

Country	N of HEIs	N private gov. indept. HEIs	N Private gov. dept. HEIs	N public HEIs	Share N private	Share N priv. gov. dependent
Albania	41	26	0	15	63%	0%
Andorra	2	1	0	1	50%	0%
Austria	73	16	25	32	22%	34%
Belgium	149	0	61	88	0%	41%
Bulgaria	52	13	0	39	25%	0%
Croatia	40	17	0	23	43%	0%
Cyprus	26	21	0	5	81%	0%
Czechia	60	32	0	28	53%	0%
Denmark	41	0	1	40	0%	2%
Estonia	18	5	6	7	28%	33%
Finland	38	0	22	16	0%	58%
France	203	43	0	145	21%	0%
Germany	399	130	0	269	33%	0%
Greece	47	0	0	47	0%	0%
Hungary	52	12	14	26	23%	27%
Ireland	22	0	0	22	0%	0%
Island	7	0	3	4	0%	43%
Italy	208	50	7	151	24%	3%
Kosovo	29	20	0	9	69%	0%
Latvia	41	14	0	27	34%	0%
Liechtenstein	2	1	1	0	50%	50%
Lithuania	36	12	0	24	33%	0%
Luxembourg	3	2	0	1	67%	0%
Malta	7	3	0	4	43%	0%
Montenegro	10	9	0	1	90%	0%
N. Macedonia	17	11	0	6	65%	0%
Netherlands	57	2	42	13	4%	74%
Norway	34	3	6	25	9%	18%
Poland	239	113	0	126	47%	0%
Portugal	92	56	0	36	61%	0%
Romania	90	37	0	53	41%	0%
Serbia	40	15	0	25	38%	0%
Slovakia	31	8	3	20	26%	10%
Slovenia	52	34	14	4	65%	27%
Spain	84	34	0	50	40%	0%
Sweden	37	0	6	31	0%	16%

Switzerland	37	2	0	35	5%	0%
Turkey	208	79	0	129	38%	0%
UK	257	97	160	0	38%	62%
Vatican City	14	0	0	0	0%	0%

Appendix 2. Number of Students According to Eurostat

Table 11: Number of PHE students, 2021, EUROSTAT. Source: Eurostat, reference year 2021.

Country	Total	Public HEIs	Private gov. dept. HEIs	Private gov. indept HEIs
Albania	123.797	97.380	:	26.417
Austria	438.383	339.222	:	:
Belgium	539.777	224.807	314.530	440
Bosnia and Herzegovina	82.744	64.995	0	17.749
Bulgaria	226.361	198.449	:	27.912
Croatia	161.077	146.535	0	14.542
Cyprus	53.508	14.227	:	39.281
Czechia	328.830	295.061	6.637	27.132
Denmark	308.152	306.932	984	236
Estonia	44.939	41.976	0	2.963
European Union - 27 countries (from 2020)	18.529.195	14.683.866	:	:
Finland	305.370	158.232	147.138	:
France	2.809.289	2.138.370	78.537	592.382
Germany	3.351.573	2.812.480	:	:
Greece	843.832	843.832	:	:
Hungary	287.493	207.152	23.675	56.666
Iceland	22.034	17.485	4.549	0
Ireland	249.569	241.000	0	8.569
Italy	2.096.778	1.707.717	0	389.061
Latvia	78.548	5.886	54.613	18.049
Liechtenstein	971	0	798	173
Lithuania	104.897	92.822	:	12.075
Luxembourg	7.665	7.665	:	0
Malta	18.336	14.239	0	4.097
Montenegro	22.700	16.072	0	6.628
Netherlands	987.564	834.137	:	153.427
North Macedonia	55.230	45.046	0	10.184
Norway	311.592	257.527	20.047	34.018
Poland	1.347.799	922.559	:	425.240
Portugal	403.746	328.273	0	75.473
Romania	560.490	491.943	0	68.547
Serbia	242.550	208.054	:	34.496
Slovakia	140.992	124.211	948	15.833
Slovenia	82.694	68.260	5.525	8.909

Spain	2.261.063	1.684.400	51.061	525.602
Sweden	490.470	433.478	54.806	2.186
Switzerland	332.380	278.537	26.809	27.034
Türkiye	8.280.595	7.635.516	:	645.079

Appendix 3. Country Codes

Country code	Country name
AD	Andorra
AL	Albania
AT	Austria
BE	Belgium
BG	Bulgaria
CH	Switzerland
CY	Cyprus
CZ	Czechia
DE	Germany
DK	Denmark
EE	Estonia
ES	Spain
FI	Finland
FR	France
GR	Greece
HR	Croatia
HU	Hungary
IE	Ireland
IS	Iceland
IT	Italy
LI	Liechtenstein
LT	Lithuania
LU	Luxembourg
LV	Latvia
ME	Montenegro
MK	North Macedonia
MT	Malta
NL	Netherlands
NO	Norway
PL	Poland
PT	Portugal
RO	Romania
RS	Serbia
SE	Sweden
SI	Slovenia
SK	Slovakia
TR	Turkey
UK	UK
VA	Vatican City
XK	Kosovo

Appendix 4. Number of Private Students and the Share of Private Students in the Overall Number of Students

Figure 17: Number of private students and the share of private students in the overall number of students. Source: ETER.