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On Accessibility and Equity, Market Forces, and Entrepreneurship: Developments in Higher Education in Central and Eastern Europe

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Abstract

The paper explores four interrelated issues: access and equity, the role and the legitimacy of the emergent market-driven private sector in higher education, the relationships between reforming public services in general and changing public and private higher education, and entrepreneurialism of the emergent private sector in higher education. The four issues are especially closely related in those transition countries in which the market orientation of public institutions is strong, and in which new private institutions have considerable share in student enrolments.
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ON ACCESSIBILITY AND EQUITY, MARKET FORCES, AND ENTREPRENEURSHIP: DEVELOPMENTS IN HIGHER EDUCATION IN CENTRAL AND EASTERN EUROPE

1. Introduction

The paper explores recent developments in Central and East European higher education systems from the perspective of four interrelated issues, dealt with in four separate sections. The first is access and equity, and the exceptionality of the Polish educational experiences in the last 15 years. Poland is viewed as one of few transition countries where efforts to achieve equitable, accessible higher education in practice have been successful and where actual decrease in inequality of access was achieved. Several hypotheses why this is an equity success story are discussed. The second issue, closely related to the first one, is the role and the legitimacy of the emergent market-driven private sector in higher education, again with the example of the most dramatic growth of the sector in Poland. Its growth is presented as one of avenues to considerably increase access to higher education under conditions of permanent financial austerity at public universities in transition economies. The third issue explored here is the relationships between reforming public services (or between the crisis of the welfare state in CEE countries) and changing public and private higher education, in the context of increasing competition for scarce public resources available. The social agenda of post-1989 Central and Eastern Europe is discussed, and the various roads to privatization in education are viewed together with wider global thinking about the privatization of other social services, including health care and pensions. And the fourth issue is entrepreneurialism of the emergent private sector in higher education, as viewed through the lens of the EU EUEREK project on academic entrepreneurship. It is discussed briefly with reference to Burton Clark’s five elements of the “entrepreneurial university” (Clark 2000, 2004). The four

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1 This working paper will be published in Higher Education Management and Policy, Vol. 20. No. 1 (2008). It is a revised version of a guest lecture I have given in a series of lectures organized by the CHES (Center for Higher Education Studies) of the Institute of Education, University of London, on December 5, 2006. I would like to thank warmly for the invitation by Dr. Paul Temple and for the extended comments made by the participants.
issues are especially closely related in those CEE countries in which market orientation of public institutions is strong, and in which new private institutions have considerable share in student enrolments. Finally, some tentative conclusions are presented.

2. Equity and Access in Central and East European Higher Education

This section of the paper focuses on equitable access: the ability of people from various backgrounds to access higher education on a relatively equal basis (Usher and Cervenan 2005: 2). Postcommunist transition countries are confronting challenges well-known to affluent OECD countries (related e.g. to globalization and/or Europeanization, expansion, market forces, financial austerity, public sector reforms, accountability pressures, and new quality assurance mechanisms, see World Bank 2002, Johnstone 2003, Johnstone and Bain 2001). But they are also, perhaps even more dramatically, confronting a combination of challenges specific to former communist countries in Europe: challenges brought about by an unprecedented passage from elite to mass, and in several instances even to universal higher education (with gross enrolment ratio exceeding 50 percent e.g. in Estonia, Latvia, Hungary, Lithuania, Poland, Russia, Slovenia and Ukraine, UNESCO 2006: 120), under conditions of permanent financial austerity; and challenges resulting from the ongoing political and economic transformations toward market economies.

From an international perspective, current efforts to achieve equitable higher education in most former communist countries in practice have not been successful (as the World Bank noted on the countries in Central and Eastern Europe and in Central Asia in general, “since the transition, inequities in learning opportunities have increased” and “enrolment rates are going in the wrong direction”, especially below the tertiary level, World Bank 2000a: 28, 30). Inequities do persist, and inhibitors do exist, some are deeply embedded in social and institutional structures inherited from the communist era; others are organizational and procedural, related to changeable policies and procedures, and can be influenced more easily (see Skilbeck 2000: 3). There are also some new activators, and new policy roads leading to more accessible and equitable educational systems. Transition economies are in need of “knowledge-rich” workforce and the systems are currently expanding; despite dramatic changes, the enrolment gap between major Western OECD economies and most transition countries has not diminished, though (within OECD, entry rates into tertiary education are already reaching 70 percent in the US, Australia, Norway, and between 70 and 80 percent in
Finland, Sweden, and New Zealand; Poland and Hungary are doing exceptionally well, 70 and 69 percent, but the Slovak and Czech Republics are doing considerably worse, with 40 and 33 percent respectively, see OECD 2005: 242, UNESCO 2006: 120-124). The question how to substantially widen access in a relatively equitable manner under conditions of financial austerity in transition economies has been under-researched in the global literature.²

The question is why in Poland, in contrast to most other Central and Eastern European and Central Asian transition countries, the post-communist transformation period brought about a significant decrease in inequality of access to higher education, in terms of the type I access (how many) and, perhaps especially, the type II access (who; in equitable systems, the composition of the student body “looks like” society as a whole, see the notion of “educational equity index” as developed by Usher and Cervenan 2005: 14ff)? What was at the heart of the Polish educational policy success (testified by the rise in the number of students from disadvantaged, especially rural, communities from 2 percent in 1990 to 10 percent in 2002 to 20 percent in 2005, and by the raise in the total number of students from almost 400,000 in 1990 to almost 2,000,000 in 2006; see OECD 2006a and 2006b, YOUTH 2005)?

The main hypothesis about the Polish case (which can also be tested in other transition countries) is that the crucial role in these unprecedented access- and equity-related developments was played by market forces, academic entrepreneurialism (mostly teaching-related) and the competition introduced to the Polish educational arena in 1990 and beyond (Kwiek 2005). The competition has grown tough between private and public providers, between private providers and between public providers themselves; and the spirit of academic entrepreneurialism has been permeating at least some segments of top public and occasionally private institutions (as Kwiek 2006b institutional case studies of Polish universities show). Instead of the enormous competition for free places at public universities, there had appeared in the 1990s new private (initially mostly lower-level) universities and fee-paying places available at public universities. Increasingly, there were more students, and increasingly, especially in 2000s, they came from disadvantaged social backgrounds. The widening of access and growing equity were accompanied by fee-paying mechanisms, which

² For other case studies of widening access, see e.g. Bastedo and Gumport 2003 for the US; Deer 2005 for France; Ertl 2005 for Germany; Kaiser and Vossensteyn 2005 for the Netherlands; Mateju et al. 2003 for the Czech Republic; HEA 2004 for Ireland; Kearney 2001 for global and Osborne 2003a and Osborne 2003b for Europe-wide developments.
in 1998 was supplemented by the introduction of student loans, more widespread in 2000s (between 1998 and 2005, the total cumulative number of student loans was 268,000; starting with 100,000 in 1998/1999, 152,000 in 2000/2001, and 198,000 in 2002/2003; the rate of increase seems smaller in 2006/2007; at the same time, the number of scholarships – which between 1990-1998 was in the range of 150,000-180,000 – has increased in 2005 to 573,000, including 348,000 for regular students, GUS 2006: 268; to contrast with the US, see on loans Johnstone 2005; and globally, Salmi and Hauptman 2006). Surprisingly, and importantly, the phenomenon did not occur in other transition countries studied, or its scope was substantially much smaller. Poland also witnessed exceptionally high returns from higher education (about 160 percent of the average earning in 1998-2004) and relatively small unemployment rates among its higher education graduates (5.6 percent in 2002). There were significant costs to these developments which need careful examination, though: lacking quality control and problems of financing (OECD 2006b: 18, OECD 2006c: 105ff), and growing conflict between quantitative development/expansion of the system and quality standards, especially in the mid-1990s (OECD 2006a: 14). The Polish expansion should thus be viewed in a comparative context of major OECD economies and selected transition countries to see its successes and limitations. Clearly in terms of growing access in the last fifteen years (five times more students), and the social composition of the student body (ten times more students from disadvantaged families), Polish higher education has been an interesting case. (From a more economic point of view, we realize that the highest returns to a Euro invested in human capital are at early childhood and at school levels; the rate of return then declines with the age of a person of any background, and for the higher education and lifelong learning levels, it declines more sharply for children from low socio-economic background, see a report for the EU by Wößmann and Schütz 2006: 11. In the case of the Polish private sector and fee-paying students in the public sector, in general, it opens higher education to new populations of students who invest themselves in their education.

\[3\] The highest rate of return from tertiary-type A and advanced research programs in OECD countries is found in Hungary (274 percent), followed by the USA and Finland (198 and 188 percent, respectively, OECD 2005: 130.

\[4\] Which, in a European perspective, is still above the EU-25 average of 4.2 percent. Poland has had the highest unemployment rate in EU-25, though, decreasing from almost 20 percent in 2003 down to 16 percent in 2006. By comparison, the unemployment rate among population with higher education is 4.3 in Germany, 5.0 in France, 2.4 in the UK, 7.4 in Spain and 5.3 in Italy (data for 2002; EC 2005a: 29).
The main hypotheses about the Polish equity (and accessibility) “success story”, exceptional among other transition countries, include the following:⁵

(1) The key factor determining a substantial increase in equitable access to higher education in 2000s was the liberal attitude of the state and its agencies (especially the ministry) towards the emergent private sector back in the 1990s. Its dramatic growth and then consolidation was substantial owing to this “policy of non-policy”. Case studies from other transition countries show here Poland’s exceptionality: elsewhere quite often strict laws and regulations abounded. The expansion was also enabled by the exceptional diversification of the system (two-tier degree system, new modes of studies, large sector of vocational higher education), rare in other transition countries where the “elite” ideas seemed to have prevailed.

(2) The accompanying crucial factor was the liberal quality assurance mechanisms and licensing and accreditation procedures, as applied to the new private sector at the time of its inception and in the first decade of its operation (1990s). Some deterioration of quality, in the short run, needs to be viewed as a considerable limitation, though. But it can also be viewed as a temporary cost of opening up the whole system to new segments of society, previously under-represented in higher education.

(3) Growing social legitimacy and public recognition of private higher education was another crucial factor: there have been no state subsidies available, and the sector has been fully self-

⁵ On a broader plane, directions for research include a combination of several topics: for instance, affordability and accessibility of education in an international comparative perspective (e.g. Usher and Cervenan 2005, Usher 2004, Skilbeck 2000, Kearney 2001, Johnstone 2003) and in a European perspective (e.g. Eurostudent 2005, Osborne 2003a and 2003b, Davies 2003, Guille 2002, European Commission 2000); international higher education finance and accessibility literature (e.g. D. Bruce Johnstone’s ICHEFAP project on finance and accessibility; Teixeira, Johnstone et al. 2006); World Bank literature on reforms of public sector services in general, e.g. World Bank 1997, Holzmann 2004, Holzmann et al. 2003; on Polish public sector reforms, see Golinowska 2002, Gomulka 2000, Orenstein et al. 2002); the growth of demand-driven private higher education on a global scale and in transition countries (Levy 2004, Levy and Slantcheva 2006, Daniel C. Levy’s PROPHE literature and databases); “academic entrepreneurialism” theme, from both global perspective and that of the transition countries (e.g. Slaughter and Leslie 1997, Shattock 2003, 2004, 2005, Williams 2003, OECD 2004, 2005); the general literature on transformations of higher education in transition countries by the World Bank (1999, 2000a, 2000b, 2004), OECD (especially Thematic Reviews of specific transition countries) and the European Commission; and the literature on access and equity from mostly national perspectives.
reliant. Its growth corresponded to the economic transition to market economy and the social transition to market-oriented way of thinking about (both public and private) services.

(4) (A specific, mostly teaching-oriented form of) entrepreneurialism of public higher education was another crucial factor: liberal educational policies allowed to introduce large-scale fee-paying studies (and cost-recovery mechanisms) in the underfunded public sector. This limited state intervention – guidance through an “enabling framework” only (Steier 2003; World Bank 2002: 83) – contributed to the 400 percent increase in the number of students in the public sector between 1990 and 2005.7

(5) The crucial role in strengthening the trend of increasing equitable access was also played by the structural reform of all levels of education started in 1997 – which now (2006) has reached higher education, with an objective standardized “new matura exam” (Polish SAT, upper secondary education certificate) results directly applied by universities in their selection processes.

Poland, contrary to most other Central and East European and Central Asian transition countries, is an equity “success story” and can be viewed as an example of “good practice” for other transition economies in which the enrolment gap with major OECD economies is not decreasing: both the total number of students and the percentage of them with disadvantaged background (especially in the last 5 years) have increased there substantially (OECD 2006a: 55).8

6 A brief note of caution is needed here: entrepreneurialism does not necessarily have to be confined to research. As Michael Shattock and Paul Temple put it recently in their presentation at Rome 2006 EAIR Forum, “we should not see entrepreneurialism simply or even necessarily in relation to research, or in the exploitation of research findings. As we shall see from our [EUEREK – MK] case study evidence entrepreneurialism involving innovation and academic and financial risk, can be found in regional outreach programmes, in economic regeneration activities, and in distance learning ventures, as well as in investment in spin out companies, the establishment of overseas campuses and the creation of holding companies to house different sets of income generating activities” (Shattock and Temple 2006: 2).

7 The structure of the student body in Poland in 2005 was the following: total enrolments 1,954 thousands, divided almost equally between two major modes of studies: regular (950 thousands) and part-time (920 thousands) studies; public sector 1,333 thousands and private sector 621 thousands (32 percent), of which 443 thousands part-time and 148 thousands regular students (GUS 2006: 34).

8 The equity success story can be measured by the increase of the share of students with low socio-economic backgrounds: in Poland between 2002 and 2005 the share of students whose
The decade of biggest changes in enrolments in CEE countries was that of 1990s, immediately following the collapse of communism: the increase in access in most transition countries at that time was phenomenal. (The starting point in 1989 in terms of gross enrolment rates was below 10 percent in Albania and Romania, between 10 and 15 percent in Slovakia, Hungary and most post-Soviet Central Asian republics (Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan), between 15 and 20 percent in the Czech Republic, Poland, Croatia, Macedonia, Moldova (as well as Armenia and Georgia), between 20 and 25 percent in Slovenia, Bulgaria, Latvia, Belarus, Russia, Ukraine – and highest rates were in the two small Baltic countries - Lithuania (28 percent) and Estonia (36 percent). After a decade, in 1999, some of transition countries already had gross enrolment rates higher than 40 percent: Lithuania (40 percent), Poland (43 percent), Estonia (45 percent), Latvia (46 percent), and Slovenia (51 percent, see a table in Pachuashvili 2006).

If one takes a look at a map of modes of limitation of the number of places available in public higher education, there is a striking difference between Central and Eastern Europe and Scandinavia (plus the UK, Ireland, Spain and Portugal) on the one hand, where a selection is done freely by institutions (in accordance with their capacity or national criteria), and the rest of Continental Europe, including Italy, France, Germany, the Netherlands, Belgium and Austria, where there is free access to places in most branches of studies. In new EU member countries, the number of places available is limited for all courses through state funding – and the increased access (and equity) can be achieved, as in Poland, via private higher education. The most rapid growth in the number of higher education students in recent years in Europe has been noted in Poland and Romania (the two countries with biggest share of private enrolments in Europe), and in the new EU Baltic countries: between 1998 and 2002, the number of students in EU25 grew by 16 percent, while in Romania it was 61 percent, in Poland 60 percent, in the three Baltic countries it was between 40 and 57 percent, and for the Czech Republic, Slovakia and Hungary between 32 and 46 percent (see Eurydice database).

mothers have primary education only increased from 7 to 18 percent, and whose mothers have secondary vocational education only increased from 13 to 23 percent. In the case of mothers with postsecondary and higher education, the increase, quite expectedly, was marginal (from 53 to 55 percent) (see YOUTH 2005, chapter on the perception of the role of education).
The chronic underfunding of public higher education in transition economies means permanent seeking temporary solutions; some of these market-oriented solutions – e.g. cost-sharing in the public sector for fee-paying part-time students, following full-cost recovery model in the private sector, or the green light for the expansion of the accredited private sector given by the state authorities – subsequently become parts of national policies and legislation. Seeking non-core non-state income on the part of public universities is only beginning to guide institutional policies, and only in some top institutions (see Kwiek 2006b, institutional reviews for the EUEREK project). At the same time, as education costs become increasingly shared between governments and students/parents, several transition countries, Poland included, have been successfully experimenting with student loans (see Johnstone 2001c and 2003 for an international perspective; and for the World Bank activities in the area in Hungary, Bulgaria, and Poland, see Salmi 2006).

The radical expansion of educational systems has been accompanied by financial austerity as its feature, the emergence of market mechanisms in the public sector (previously immune to market forces) and the arrival of private providers (from a global perspective, the transition countries provide relevant insights into ongoing and much wider welfare state reforms, including those towards multi-pillar pension schemes and partially privatized health care, as well as insights into policies of dealing with private providers under conditions of huge social demand for their services).

In a globally unique way, higher education systems in such countries as Poland needed deep (mostly institutional and structural) changes (accompanied by liberal government policies) implemented in a short time-span to be able to accommodate the increasingly diverse, mostly

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9 Public funding for higher education in Poland in 1990-2005 was generally between 0.75 and 0.89 percent of GDP, except for the year 1990 (when it was highest and reached 1.11 percent) and the last two years (2004 and 2005) in which it reached the level of 1 percent (GUS 2006: 308). From a comparative perspective, Polish public higher education is financed with public funds at a slightly lower level than in major EU economies but equal to EU25 average (1.0). In 2001, in selected EU countries public funding as percentage of their GDP varied from 0.8 in Italy and the United Kingdom, 1.0 in France, Spain, Portugal, the Netherlands and Germany, to 1.1 in Ireland, 1.2 in Austria, and was the highest in Sweden 1.5 and in Denmark 1.8 (combined with private funding, the percentage of GDP for education in these countries was: 1.0 in Italy, 1.1 in Germany, France and the United Kingdom, 1.3 in Spain, the Netherlands and Ireland, and 1.8 in Denmark). The highest percentage of GDP from private funds was spent on higher education in Spain, Ireland, and the United Kingdom (0.3 percent) (EC 2005a: 35).
previously socially under-represented student body. In expanding systems, the burden of costs of education was increasingly being shifted from governments to students and parents, leading, also in Poland, to sharp national debates on fees, equity and efficiency (globally, see especially Teixeira, Johnstone et al. 2006; Salmi and Hauptman 2006, Marcucci and Johnstone 2006; Pennel and West 2005; for the EU views, see EC 2005b, EC 2006). The changing relationships between higher education and the state, under conditions of fiscal austerity (see my book on the subject, Kwiek 2006a) have been directing policy choices in education and provided rationale behind changing educational laws toward more academic entrepreneurialism, more financial self-reliance of public institutions and more private provision of higher education. Public revenues have been too scarce to accommodate the needs of expanding and underfunded public systems (see Williams 2003, Shattock 2004, 2005), and systems were “responding to austerity” through – as in Poland, Russia and Ukraine – partial “cost-sharing” (see Johnstone’s papers from 1998 onwards, e.g. 2001, 2003).

3. Private Higher Education in Transition Countries: Its Role and Legitimacy

The role of the private sector in higher education in the countries of Western Europe, in general, remains marginal. Major EU economies, including Germany, France, Italy and the United Kingdom, do not have significant private sectors. In Central and Eastern Europe, in contrast, private higher education figures prominently, exceeding 10 percent of total enrolments in Belarus, Bulgaria, Hungary, and Ukraine, 20 percent of enrolments in Latvia, Moldova, Romania, and 30 percent of enrolments in Estonia and Poland. In 2004, over 700 private institutions (including 300 in Poland, 200 in Ukraine and 70 in Romania) functioned

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10 My paper heavily draws from a research project for the European Commission (“European Universities for Entrepreneurship”) on various dimensions of “academic entrepreneurialism” from a comparative perspective of 6 countries, with my 150 pp. in-depth institutional case studies of 3 Polish universities (directed by Michael Shattock and Gareth Williams, Institute of Education, London; see my case studies at www.euerek.info); and a Ford Foundation project on the growth of private higher education, “PROPHE: Program for Research on Private Higher Education” (coordinated by Daniel C. Levy, SUNY/Albany, USA; see www.albany.edu/dept/ eaps/prophe/).

11 For a fuller picture, see my paper (Kwiek 2006f) on “The European Integration of Higher Education and the Role of Private Higher Education” in Daniel C. Levy and Snejana Slantcheva (eds.), In Search of Legitimacy: Private Higher Education in Central and Eastern Europe (New York: Palgrave, 2006), from which this section draws. Let me express here my gratitude to Levy and Slantcheva for their detailed comments on, and suggestions to improve, my analyses of private higher education in CEE countries in the context of the Bologna process in Europe.
across Central and Eastern Europe. In Russia, private enrolments exceeded 13 percent and the number of private institutions reached almost 400 (for full data, see UNESCO-CEPES 2004).

Poland is an excellent example of the successful development of the private sector: both from the equity and access perspective, and, to a large extent and after an initial period until mid-1990s, that of the quality of teaching. Until the collapse of Communism in Poland in 1989, higher education there was fully controlled by the state. A new Higher Education Act of 1990 paved the way to the development of the private sector in general and a Vocational Higher Education Schools Act of 1997 provided legal grounds for lower-level vocational private sector. The number of private institutions rose from 3 in 1991 to 250 in 2002, 301 in 2005 and 315 in 2006 (GUS 2006: 20). Since the beginning of the 1990s, the private sector has changed the educational landscape in Poland beyond recognition: in the academic year 2006/2007 almost one third of the two-million student body (32 percent) went for private higher education institutions. In recent years they have been developing smoothly but under the increasingly close supervision of the ministry of education. They have become a real challenge to public institutions, for a variety of reasons, in most cases an easy access (no competitive entrance exams earlier, no competition based on the “new matura” results after 2005) ranking perhaps highest among the factors. Their increasing number has created a better access to the higher education system as a whole. Consequently, gross entry rates into tertiary education in Poland reached 70 percent in 2003, ranking 5th among the OECD countries (OECD 2005: 242).

Private institutions in transition countries serve a number of functions, some of them positive, and some, unfortunately, negative: depending on the country, private institutions may provide fair access to affordable higher education but may also lead to the disintegration of the whole sector, especially if tight licensing and accrediting measures are not in place. These institutions continue to be grappling for legitimacy. The initial social acceptance was strongly impacted by the emergence of many of these institutions in a legal vacuum. Their search for social recognition – reflecting the acceptance by the society, the labor market and their state peers, however, continues. Private institutions presented the simplest venue towards the expansion of educational systems, which under communist rule were elite (in Poland, the road to the universalization of higher education was the following: the number of students in 1965 was 252,000, 331,000 in 1970, 470,000 in 1975, 454,000 in 1980 and then dropped to 341,000 in 1985 and 377,000 in 1989 – compared with 1,954,000 in 2005). Owing to the
rapid development of the private sector (and the corresponding parallel expansion of the public sector, in both free and fee-paying modes, following the suit), in some CEE countries higher education, somehow unexpectedly but in tune with Western European trends towards massification and universalization, became an affordable product. The issue of legitimacy of the private sector, in many cases, boils down to the social acceptance of the fact that it is providing affordable higher education to young people who would have never had a chance to receive it in the closed elite and fully public systems of the former communist countries: this is clearly an equity and access argument. Initially, private institutions found social recognition by opening the door of education to those who under previous conditions were cut off from it. And in knowledge-based societies, being cut off from affordable education may easily lead to social exclusion and marginalization.

Private institutions are not subsidized by the state in transition economies (except in some cases in some countries, such as e.g. subsidized student loans or student stipends, and – to a very limited extent – research\(^{12}\); there are also country cases of public subsidies to private universities – Hungary; also some religious privates receive public funding e.g. in Poland); in general, they are almost fully subsidized by students who purchase their teaching services. This means, unfortunately, that the private sector is mostly a teaching sector, with almost no accompanying research carried out, which has tremendous negative impact on the research-related entrepreneurship of the private sector in transition countries, to be discussed below in a separate section.

To a large extent, privates derive a strong degree of their legitimacy from their students and their families who recognize them as institutions providing services worth being paid for. In most cases in Poland, being market-driven and consumer-driven in their orientation, private institutions are more flexible to adapt their curricula according to demand, open short-term courses, offer MBA programs, liaise with foreign institutions and offer dual degrees, provide distance education, weekend education and other modes of learning convenient to the student. Often private institutions monitor the labor market, open career centers for their graduates and introduce explicit internal quality assurance mechanisms. Many follow market mechanisms in their functioning as business units, use public relations and marketing tools to have significant

\(^{12}\) State funding for research and development in Poland is low indeed (and has been decreasing systematically in the last 10 years – from 0.55 percent of GDP in 1994, to 0.43 in 2000 to 0.34 in 2003) and is not supplemented by private funding for research.
portions of local, regional or national educational “markets”, and finally prepare their graduates for living and working in market realities. They have also exerted huge impact on academics themselves.

The role of the private sector in the countries of Central and Eastern Europe is bound to grow – considering its ability to adapt to the new societal needs and new market conditions combined with the drastically underfunded and still unreformed public institutions with limited capacities to enroll larger numbers of students. Private institutions represent a wide variety of missions, organizational frameworks, legal status and relations to the established institutional order. Needed is the disinterested analysis of the current (in-transition) state of affairs, largely unexplored so far in international educational research, and conclusions as to how to deal, in theory and in practice, with growing market forces in education; how to regulate privatization and corporatization of educational institutions and research activities within ongoing reform attempts, and finally how to accommodate principles of the Bologna process to local conditions of new EU countries.

In Central and East European transition countries, educational business is increasingly private, teaching-focused and market-driven. There is a strong market-driven competition for students between private institutions, and a strong competition for faculty (especially full professors in economics-related areas) between private and public institutions. Transition countries, generally, have to start or already cope with the rapid massification of their systems, with the number of students being on the rise. At the same time, major Bologna-related documents do not seem to take the problem of both the private sector and the market forces in higher education into account. The overall “revitalization” of the European integration project through education, and the accompanying production of the new European citizenship through education (see Lawn 2003), may bring about unexpected effects in transition countries in which welfare state regimes are different, higher education systems and labor markets have their own traditions and which generally are at different stages of economic development. Strong private sector and powerful market forces can be viewed as good examples of significant (but so far neglected) differences between the countries where the Bologna ideas were born and the countries in which these ideas are currently, almost unanimously, implemented. They can also be viewed, as the Polish equity and access success story shows, as examples of how to open up higher education systems to ever larger and previously under-represented student body, to reform the public education by exposing it to
market competition with private education, and how to regulate the system under conditions of permanent financial austerity experienced in public education.

4. Higher Education and the Public Sector in Central and Eastern Europe: Increasing Competition for Scarce Resources

The picture of recent transformations in Central and East European higher education systems needs to be complemented with a brief reflection on reforming the public sector as a whole in these countries (see Kwiek 2006: 227-271, a chapter on “The University and the Welfare State” and Kwiek 2006e). To put it in a nutshell, state funding for higher education depends on the overall outlook for state finances. Higher education funding in CEE countries, compared with the former EU-15, is critically low: while in major higher education systems (France, Italy, Germany and the UK) total private and public expenditure per tertiary student in PPS in thousand Euro is between 8 and 10 (and for Norway reaching 12, Denmark reaching 13.6, Sweden 14 and Switzerland even 19) – for most CEE countries it is about 3 (Poland 3.9, Latvia 3.0, Lithuania 3.1, Bulgaria 3.2, Romania 3.4), and reaches higher levels only for Slovakia 4.9, the Czech Republic 5.2 and Hungary 7.0. In short, total expenditure per student in most CEE countries is three times lower than in biggest EU-15 economies, except for the Czech Republic, Slovakia and Hungary where it is two times lower (see data for 2001 in EC 2005a: 35). In terms of R&D funding, CEE countries look considerably much worse; especially in the case where business is funding research. The projections for the future suggest that the tight fiscal environment will continue, if not intensify, in the coming years (as the World Bank realistically observed, “austere budget constraints are not temporary. Ministries of education will face serious fiscal constraints relative to spending pressures for the foreseeable future”, World Bank 2000a: 43).

13 The business sector is probably the most important sector in which research and development is performed. Business research and development is market-driven and accounts for most expenditure on innovation, as a recent Key Figures 2003-2004. Towards a European Research Area. Science, Technology and Innovation argues (EC 2003a: 27). The business expenditure on R&D as a percentage of R&D intensity is 65.6 in the EU-15 (with the highest level in Sweden and Switzerland, of 78 and 74, respectively) – as opposed to Latvia and Hungary (40), Poland (35), Lithuania and Bulgaria (21).
Basically, the situation faced by governments in transition economies is that of a zero-sum game: gains in share by one program (e.g. higher education) have to come at the expense of other programs (see Hovey 1999). This lose-lose situation is very clear in most postcommunist transition countries: there are priorities in the transformation processes. The pie to be distributed is very small indeed and it is largely current politics – rather than explicitly formulated long-term government policies – that determines how the pie is cut. Bob Deacon notes about welfare policies in European transition countries (and, by extension, about public universities in government priorities) that “what became immediately evident … was that debates of any kind about social policy became relegated to almost last place in the priority of many of the new governments” (Deacon et al. 1997: 92).

Higher education in CEE countries (as elsewhere) has to compete with other forms of state spending, and the costs of other forms of social needs are growing rapidly; the statistics concerning unemployment rates, access to public health care systems, the level of funding accessible to the elderly through existing pension schemes etc., are alarming. And higher education has not been competing successfully with other programs over the last decade in most CEE countries; suffice it to see the data on the generally low public support for higher education and often low and still declining funding for research and development, compared with EU-15 countries. Higher education, to gain a bigger share of government funds, would have to compete successfully against other state-funded programs, regardless of whether taxes are raised (a rather difficult, if not impossible option) or not. As Giuliano Bonoli and his colleagues researching the welfare state put it in a European context, “a basic premise of current welfare policy-making is that taxes cannot be raised” (Bonoli et al. 2000: 72). The prospects in the future for increasing public funding on public higher education, including public universities, are very low indeed.

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14 One thing is certain, though: “There is complete agreement among researchers studying the post-socialist transition that one key task ahead is radical reform of the pension system, health care, provision for children and the aged, social assistance, and the other spheres of the welfare system”, as János Kornai put it (1997: 339).

15 As Gösta Esping-Andersen put it recently in “A Welfare State for the 21st Century”, “most European social protection systems were constructed in an era with a very different distribution and intensity of risks and needs than exist today. … As a consequence, the welfare state is burdened with responsibilities for which it was not designed” (Esping-Andersen 2001: 6, emphasis mine).
After the policies of the golden age of expansion (1950-1975), European welfare states have been shaped by what Paul Pierson, a Berkeley-based political scientist, termed *politics of austerity* (Pierson 2001a). And the social agenda in post-1989 Central and Eastern Europe, of major interest to us here, changed even more radically: suddenly, the region was exposed to new economic pressures, but also to new market-oriented opportunities which in many cases required better skills and higher competencies from its citizens, often provided by new, vocationally-focused private institutions. While in Western Europe the emergence of the private sector in education is both marginal and sometimes seems revolutionary, in most CEE countries it might be even considered as one of the more realistic options available – in the situation of the chronic underfunding of public institutions and, in many instances, their structural inability to face new challenges (with the huge social need to raise the enrolment levels at the forefront).

It is important, I believe, to see higher education policies in the context of larger welfare state policies: higher education is a significant (and most often significantly fund-consuming) part of the public sector and a part of the traditional welfare state that is right now under severe pressures, even though they may not be as strong as pressures on the two main parts of it, healthcare and pensions. In more theoretical than practical terms, these phenomena had their powerful impact on thinking about public services, including public higher education, in CEE. The theoretical impact was already translated into changed national legislation in the case of the pensions reform and health care reforms at the end of 1990s in Poland. To discuss transformations of higher education in CEE countries certainly means to discuss a much wider political and economic process of transformations towards market economies; the accompanying reforms of the public sector seem unavoidable, and higher education figures in this sector prominently. In Poland, bold reforms of the public sector were started in the second half of the 1990s, starting with pensions (the introduction of a World Bank-supported multipillar system), healthcare (decentralization of funding and partial privatization), primary and secondary education (decentralization of funding). Public higher education still remains un-reformed, despite some changes introduced in a new law on higher education in 2005; fortunately, without a new law, in the last 15 years, the dramatic growth of the private sector and the natural competition between private and public sectors in education have changed public universities beyond recognition, and have led to phenomenal growth in accessibility and equity. Despite the lack of structural reforms (and reforms in funding formulas), the
“policy of non-policy” in the first decade of the operation of private higher education – has led to a regional success.

5. Academic Entrepreneurship in the Private Sector in Central and Eastern Europe: Reflections from the EUEREK Project

Speaking of the “equity and access” success story of Polish higher education, it would be interesting to raise an almost natural question about its entrepreneurialism. Especially, one might wonder, entrepreneurialism of new private institutions in connection with apparently notoriously old-style and unreformed public institutions. The results of research in this direction are somehow surprising: overall, in CEE countries, and in Poland in particular, it is the public sector in education where islands of academic entrepreneurialism can be found. The private sector is entrepreneurial almost exclusively in teaching, which is just one of several dimensions, and certainly a less important one compared with developments at most entrepreneurial universities in the UK, Spain or the Netherlands. Overall, the one-dimensionality of the private institutions (their mostly teaching role) does not have any immediate negative impact on equitable access to them, though. They are as open to new students as public universities through their part-time fee-paying modes of studies. Let us try to summarize briefly the conclusions about academic entrepreneurialism of private institutions as they have emerged from the EUEREK project (see Kwiek 2006c for a theme paper):\(^\text{16}\)

Private institutions view themselves as less entrepreneurial than public ones. Their access to research funds (especially public) – which most often determines the appearance of the entrepreneurial culture – is very limited. But they are often very successful teaching institutions. Their major concern is to survive as they are heavily dependent on student fees and they experience fluctuations in enrolments. Their mission and strategy is self-determined rather than influenced by state policies. The major sources of non-core/non-state funding in

\(^{16}\) The EUEREK case studies involved 27 universities from Poland, Moldova, Russia, Spain, the United Kingdom, Finland, and Sweden. The project “European Universities for Entrepreneurship – Their Role in the Europe of Knowledge”, 6\(^{\text{th}}\) Framework Programme of the European Union (2004-2007), was coordinated by the Institute of Education, University of London (Michael Shattock, Gareth Williams, Paul Temple), and most case studies and theme papers are already publicly available from www.euerek.info.
almost all cases are student fees; no major changes in income structures were reported in recent years. No major academic risks are being taken by staff and institutions, but often financial risks are taken by institutions. Compared with the public sector, few examples of the development of new knowledge from entrepreneurial activities are reported. Apart from teaching, few examples of other major kinds of dissemination of knowledge are reported. Also a limited number of mechanisms of knowledge transfer/knowledge exploitation is reported. Generally, there is a non-supportive climate for developing knowledge exploitation. But as Shattock and Temple remarked recently, “the contribution of entrepreneurialism to the knowledge society through the transmission of education to students financed on a non-core funding basis should be accorded equal status to that of research” (2006, emphasis mine – MK). The problem with the private sector is that almost all funding (in Poland – 100 percent) is non-recurrent non-core funding and this is where Burton Clark’s and Michael Shattock’s ideas need to be revisited from a different angle, so that the concept of entrepreneurialism could be fairly attributed, or refused, to private sector institutions (see Kwiek 2006c, 2006d).

In general, having a diversified funding base does not seem to work for private institutions. Their abilities (and opportunities) to use the “third source” of income, especially (perhaps most welcome) “university-generated” income, are very limited. Their high degree of financial dependence on a single source of income (namely, student fees) makes them easily prone to financial problems. In general, being largely teaching institutions, they are not able in practice to compete with public universities for public research funds. Separate units are rarely rewarded (or punished) for their entrepreneurialism and rarely act as separate business units, as is often the case with most successful public entrepreneurial universities. They do not seem to have incentive policies to support their staff in seeking non-core source of income – the income other than student fees. The share of their income from alumni fund-raising, research contracts, patents, endowment or earned income from campus operations is negligible, in most cases not even marginal. There is also no major need to keep complicated resource allocation formulas in funding particular departments, or the need to keep a fair balance between the center and the units through elaborate top-slicing and cross-subsidizing techniques.

The role of the “strengthened steering core” in entrepreneurialism of the private institutions is important. In contrast to public entrepreneurial institutions, the role of faculty participation in central councils is severely reduced. Collegial management is rare, and connections between
academics and administrators/ management/founders/owners are limited. The center is constantly dealing with risk the management and understanding of which is crucial; and the risk, to manage on a daily basis, is the financial one. The role of bringing resources (through keeping or increasing the number of students) seems more important than the role of bringing reputation to private institutions studied. In terms of management structures, as in public entrepreneurial universities, private institutions have powerful centers, strong management groups, usually comprising very few administrators. Most private institutions do not use resource allocation procedures to make strategic choices about their future direction. Also no major impact of a new bureaucracy is reported: both the number, and the role, of development officers, technology transfer experts, special staff managers, fundraising officers, is small. The role of strategic committees, so fundamental for managing entrepreneurial universities seems minimal. In CEE countries a unique feature is that management in the private sector is dealing, to a large extent, with academics working (in a parallel manner) in the public sector.

The role of “extended developmental peripheries” in private institutions is marginal; new transdisciplinary research centers are sometimes reported but they do not change the character of these institutions and their existence does not lead to introducing new management styles or new internal resource allocation procedures. They do not form parallel, increasingly powerful university structures. They do not seem to attract new sources of funding, they are not engaged in aggressive seeking new research areas. Also the role of new administrative units, so crucial to public entrepreneurial institutions studied, by comparison, is marginal. Most of new posts and new units in the public sector are related to new opportunities of research funding, or the exploitation of research results, innovation, or international off-campus teaching, or royalty rights etc. In private institutions studied, the need for these units is still very small, although they do sometimes. The balance of power in management is not changed by new peripheral research (or teaching) units. Consequently, at the moment, the extended developmental periphery seems almost absent from the picture of the private sector.

Almost all private institutions studied are involved in research only marginally. The competition with public institutions, in the context of the general lack of access (in theory or in practice) to public research funds, and to business research funds, means the competition for students and their fees. There is a strong implication coming from the vast majority of case studies that without competition for funds, entrepreneurial universities would not become entrepreneurial, even though they could be top in their respective disciplines and excellent in
research done and teaching provided. Private institutions do not take part in this race for external funding, though. But they can play a pivotal role in providing equitable, accessible higher education to previously under-represented segments of transition societies, if both reasonable quality assurance mechanisms and fair rules of market competition are in place (again, as in Poland).

6. Tentative Conclusions

It seems fruitful to approach recent developments in higher education in Central and Eastern Europe from the cluster of several interrelated concepts, at least with respect to those biggest systems where private providers have successfully emerged. These concepts include access and equity, market forces and private institutions, public sector reforms and academic entrepreneurship. They indicate huge diversification in the region today: there are substantial differences between the directions of changes of systems in Central Europe, systems in Eastern Europe (and Central Asian post-Soviet republics, not discussed here), and in the Western (former Yugoslavia) and Eastern Balkans (Bulgaria). Most of these transition countries are either already in the EU, or heading towards it in the coming decade. From the perspective of equitable access, the success stories (of e.g. Poland and Romania) were made possible by the emergence of the powerful private sector in education; from the perspective of reforming public services, this powerful move towards privatization has been most welcome, somehow off-loading the state (and its stressed budgets) and turning to charging consumers of education instead of the state. In transition countries, market forces in higher education seem to be on the rise; unfortunately, private research and development investment (in contrast to private investment in education), so crucial for public universities in most developed OECD economies, cannot be easily achieved in the coming decade in most bigger transition countries. This drawback, together with the prospect of living with “permanent austerity” in terms of access to more public funding for education and for research and development, leads to a rather pessimistic conclusion about a growing gap between increasingly teaching-oriented higher education in most CEE countries and increasingly knowledge-intensive, research-funded higher education in Western Europe. If the idea of the “Europe of Knowledge” is to be taken seriously, this picture seems quite bleak indeed.
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