Creeping Marketization
Where Polish Public and Private Higher Education Sectors Meet

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Introduction

This chapter discusses changes in Polish higher education related to marketization. The wider context is the transition from a command-driven, communist economy to a market-driven, open economy and from a communist authoritarian bureaucracy to a parliamentary democracy. The chapter discusses funding mechanisms with respect to institutions, teaching and research; distinct processes marking the turn toward marketization—increasing financial self-reliance of academic institutions and external privatization (growth in the number of private sector providers) and internal privatization (finance-driven cost-recovery mechanisms in public sector institutions). Finally, the chapter discusses market forces in the context of Polish educational policies and offers some concluding remarks.

Funding Mechanisms: Institutions, Teaching and Research

Poland has a higher education sector of almost two million students (the biggest among new EU member states and the sixth biggest in the EU), with the highest enrollments in the private sector in the EU, reaching 34 percent in 2008. The specificity of the Polish system lies in a high, and increasing, share of part-time students in both public and private sectors (almost 1 million in 2008) and the powerful role of the private sector. Additionally, from the perspective of marketization, the private sector charges fees to all its students and the nominally free (tax-based) public sector charges fees to all its part-time students. Thus effectively almost 60 percent of all students (or 1.13 million) in both sectors currently pay fees, which is still a virtually unique feature in continental Europe (GUS, 2008: 34).

A massive expansion of the system has increased the gross enrollment rate in Poland in the last two decades from 13 percent in 1990 to 51 percent in 2007. The number of graduates in 2008 (about 400,000) was equal to the number of all students in 1989 when marketization started. Such an extraordinary expansion
would not have been possible without the growth of the private sector—but also, which is a specifically Central and East European feature, without a parallel growth of irregular, part-time, fee-based forms of education in the public sector, referred to in the present chapter as two distinct variants of external and internal privatization. The total number of private higher education institutions in Poland in 2007 was 324, and the share of enrollments in private provision has been growing every year since their appearance (GUS, 2008: 40). Private institutions are “not for profit” which, by the Polish law on higher education, means that all profits have to be reinvested in the institution. The future of such institutions depends, to a large extent, on both the future of the public institutions and on powerful demographic trends, which are expected to reduce the annual number of candidates for studies from around 490,000 in 2008 to 260,000 in 2022. From the perspective of marketization, it is crucial that even after the expected reforms (and the adoption of the new law) of higher education expected for 2009, studying full-time in the public sector will remain free, leaving the future of the private sector fundamentally uncertain. Consequently, even though the private sector in Poland is the biggest in Europe in terms of its size and share of enrollments, it is currently very vulnerable; it will find it increasingly hard to compete with the tax-based public sector, in terms of the quality of education and the diversity of study areas, given likely demographic pressures.

There is a substantial difference between public and private institutions in terms of the structure of sources of income. Both public and private institutions in 2007 obtained the vast majority of income from teaching. For public institutions, teaching provides 83 percent of income, for private ones 93 percent. Income obtained from research is 13.6 percent in the case of public institutions and 1.4 percent in the case of private ones. In general terms, the private sector is almost wholly a teaching sector and for most private institutions, research is a marginal activity in terms of both academic mission and source of funding. (Research is only an additional source of income for both public and private institutions and at universities it is funded almost exclusively by the state.)

The major market division of institutions is between those offering first degrees only and those offering both first and second degrees; another market division is between traditional institutions (especially comprehensive universities, universities of technology, universities of economics and universities of medicine), and all other types of institution; and, finally, between public and private institutions. All public institutions (except for so-called “professional” institutions), and about 20 percent of private institutions, offer both first and second degrees, while 80 percent of private institutions offer only first degrees. Traditionally, until the appearance of the private sector in the beginning of 1990s, and the reluctant introduction of the Bologna process in recent years, “respectable” higher education meant only the second Master’s (MA) degree. In the current, massive system in which almost half of graduates have a first degree (47 percent in 2007), the market value of the degree is still very uncertain
In other words, the market evaluation of first degree holders is relatively low, even though almost half of all graduates complete their education with this degree only. The second division, between traditional and all other institutions, means in practice that the most valuable degrees—those with highest wage premia and in traditionally most lucrative areas—are from a handful of institutions, almost exclusively public, located in major academic cities, such as Warsaw and Cracow, followed by Poznan, Wroclaw, Lodz and Gdansk. Finally, as private institutions are teaching-only institutions (i.e., they neither possess prestige, nor are able to seek it); they provide non-restrictive access, with 80 percent of them offering first degrees only, and 80 percent of their student body being part-time; their degrees, in general, are less valuable in the labor market.

In terms of subjects offered, private institutions were more active in responding to new demands of the labor market (and of students themselves) in the first half of the 1990s—when public institutions were still unable to respond to emergent market realities—but many of them have been offering poorly taught and undemanding degrees in “popular and cheap-to-run” fields of studies, as an OECD economic survey of Poland recently put it (OECD, 2006: 106). In 2007, 26 percent of graduates from both sectors were in economics and administration, 15 percent in educational studies, 15 percent in social sciences, and 8 percent in humanities; only 5.4 percent of graduates were in science and technical/engineering areas (GUS, 2008: 24). The structure of graduates from the private sector is much less differentiated, with the share in economics and administration reaching over 50 percent.

Turning toward the Market: Increasing Financial Self-Reliance

In both scholarly research (e.g., Shattock, 2005) and policy documents, new management, organizational and financial options suggested to public higher education systems are increasingly related to three notions (and phenomena): academic entrepreneurialism (in teaching, research and third mission activities); financial self-reliance (and significantly smaller dependence of academic institutions on core state funding); and cost-sharing (in introducing, or increasing, tuition fees, accompanied by more student loans and fewer student scholarships, etc.) (Shattock, 2005; Williams, 2003; Johnstone, 1998, 2007; Kwiek, 2009c). In Poland these are combined with internal (public sector) and external (new private providers) privatization. All these three notions (and phenomena) introduce strong market mechanisms to educational systems and figure prominently in recent national and EU-level debates on financially sustainable higher education in Europe. At the same time, the three dimensions are highly contentious issues for most university stakeholders, including policy makers, students, and academics. We have studied academic entrepreneurialism with respect to Poland elsewhere (Kwiek, 2008a, 2008b). Let us only note here that the role of teaching-related entrepreneurialism in both public and private sectors is
very important but entrepreneurialism in research is restricted to top selected institutions in the public sector.

Financial self-reliance of institutions raises an interesting question about its impact on the changing relationships between the three missions of Polish universities: teaching, research and service to society. Overall, public universities in Poland in the last 15 years seem to have been gradually losing their commitment to the research mission and to be becoming increasingly teaching-oriented institutions. This move will have dire consequences for the quality of courses, curricula and research. In fact, the directions of evolution of top Western European and top Polish universities seem divergent (for the former, see Kaiser et al., 2003; Schwarzenberger, 2008; Leyden, 2005; OECD, 2008). Not surprisingly, one of the major OECD concerns is that while Polish HE has been financially “squeezed to the point of serious damage” (OECD, 2007: 118) institutions still do not even consider external sources of funding.

most institutions interpret the advice to become more entrepreneurial as an invitation to sell core educational service to as many students as the law permits, and do not see the need to look for new sources of revenue.

(OECD, 2007: 57)

While the evolution of the Polish system so far seems to show general similarities compared to most Western European ones, it also shows a substantial difference in institutional focus: research-intensity of top Western universities and teaching-intensity of top Polish universities (see OECD, 2004; 2008: 163–258; Kwiek, 2009a). The divergent evolution reveals a major weakness of Polish higher education in general. New ministerial policy intends to change the direction: a basic feature of a new model of higher education is “the promotion of the culture of getting competitive funds” (MoSHE, 2009: 27).

There are several lessons to be drawn for Poland from countries in which, first, huge expansion was driven by ever-growing demand, and then the expansion was stopped by both changing demographics and relative saturation of the student market. It is possible that a combination of several conditions—the (probable) introduction of fees for full-time students in the public sector or (conceivable) state subsidization of private institutions for their teaching services, further diversification of the study offer in the private sector and its further regional diversification, and higher quality of teaching (conceivable)—might lead to more fully fledged competition between the two sectors in the next decade. So far, none of these conditions exist.

The picture in terms of supply/demand gets still more complicated as in Poland the number of vacancies in the private sector is fully flexible and depends only on institutions themselves; and there are no national competitions for places in either public or private institutions. While the number of vacancies in the public sector is strictly regulated by the Ministry (as those places are subsidized by the state), the private sector in general enrolls all those wishing to study, provided they fulfill the
basic formal requirement (except for a few selective top institutions where meeting some academic entry requirements is required). Already in the medium-quality range of both public and private sector institutions, vacancies in many study areas are offered, even at most prestigious public institutions.

Turning toward the Market: Cost-Sharing and Privatization

We will focus now on cost-sharing and (internal and external) privatization. Higher education in several new EU countries, Poland (as well as Romania and Bulgaria) included, has been consistently turning toward privatization, both external (a new booming private sector) and internal (fee-paying courses offered in the nominally free public sector) (Kwiek, 2007). In general terms, privatization is "the transfer of activities, assets and responsibilities from government/public institutions to private individuals and agencies. Education can be privatized if students enroll at private schools or if [higher education] is privately funded" (Belfield and Levin, 2002: 19; Kwiek, 2006). Poland provides examples of both.

The emergence of powerful market mechanisms in public higher education (fee-based teaching for part-time students) and the arrival of the private sector can be viewed as the two different faces of the same process. In existing literature, Polish higher education has generally been discussed in a highly dichotomous manner: either public institutions, or private institutions, or both as opposite to each other. The radical distinctiveness of the public sector from the private sector has been a constant point of reference in both research and policy analyses. But, surprisingly, both sectors can also be looked at as following the same road of privatization if the phenomenon of privatization as applied to higher education is taken more widely. As Daniel C. Levy stressed, "institutions called private and public are not always behaviorally private and public, respectively" (Levy, 1986: 15); and this is indeed the Polish case.

The role of fees in the creeping marketization of Polish higher education is critical. As they are charged by the whole private sector and by part-time study offer of the public sector to 60 percent of all Polish students, the evolution of their levels in both sectors and their future in the public sector is highly relevant. Marketization and privatization meant increasing competition and access. Further marketization, for example, the introduction of fees for all in the public sector, with grants and loans schemes, might mean more competition and substantially more equity as today, after 20 years of volatile transformations, the best and most lucrative places in the public sector are still disproportionately allocated to students from the middle classes. In the last decade, the share of tuition fees from part-time students in the revenues of public institutions was high and varied substantially, depending on the type of institution. Without this particular form of privatization—increasing reliance on fees from part-time students—the Polish public sector would have found it enormously difficult to
survive economically. Educational expansion would have been left entirely to the growing private sector which would not have been able to meet unexpectedly high student demand. In the last 10 years, public institutions have become less and less reliant on state subsidies, the share of such subsidies in their income decreasing in the universities from 71 to 66 percent.

From the very beginning, the most important dimension of internal privatization of the public sector was financial: additional revenues for both faculty and for the university. Fees from part-time students were a substantial contribution to university revenues and were much more than merely recovering costs. The revenues were divided between institutions and faculty; for academics, working with part-time students in the public sector meant additional revenues, paid by hours worked. In an initially surprising manner, public institutions in the first half of the 1990s started having two sorts of students (fee-paying and non-fee-paying, the former academically weaker), two sorts of curricula (academically weaker for the fee-paying students), and two different teaching times (weekdays for non-fee-paying students and weekends for fee-paying students). Those with higher cultural and human capital studied as non-fee-paying full-time students, those with lower cultural and human capital studied as fee-paying, part-time students. The numerical expansion opened the system to new segments of society but these newcomers have been attending mostly the two academically inferior forms of studies: those offered in the private sector and those offered for fee-paying weekend students in the public sector.

Tuition fees have therefore played a critical role in the expansion of both the private and public sectors (Kwiek, 2009b). In 2006, total funds collected through fees reached approx. 1.2 billion Euros, with only a slightly higher share going to private institutions (approx. 610 million Euros): 50:50 percent. Thus, in practice, almost half of all higher education fees went to the public sector which is nominally “free”. This is the most striking financial aspect of the privatization of the public sector.

In the last decade, the share of the total income from all fees charged in Poland (regarded as 100 percent) steadily increased for the private sector, from 38.4 percent in 1997 to 52.3 percent in 2007. It was only in 2006 that the share of the total income from fees for the private sector was bigger than 50 percent. At the same time, the share of the total income from fees collected by public institutions was decreasing steadily, from 61.6 percent in 1997 to 47.7 percent in 2007. In financial terms, the public sector (fee-paying part-time mode of teaching only) was steadily losing to the private sector (fully fee-based and financially self-reliant).

There is limited price competition between public institutions as full-time studies in all of them are free, and revenue-driven part-time studies do not differentiate themselves by price. There is significant price competition between public and private sectors in the areas where public sector institutions offer fee-based part-time studies, and between private sector institutions themselves. Public institutions are often emulating successful private educational offers,
using their position of offering “more respectable” degrees. To some extent, the level of fees in the private sector determines their level in the fee-based part of the public sector. Things are even more complicated as the product (courses) is offered by the same faculty (working in both public and private sectors), so that the real competition between institutions is weakened. If the private sector had its own faculty (which is only beginning, and only in selected institutions), price competition could be much stronger, that is, the public sector could charge considerably higher fees. However faculty would not be able to keep parallel jobs, and revenues would go less directly to them. The new law is expected to radically reduce the legal opportunity of holding multiple positions.

Student choice is very limited: the results of the final secondary school exam determine the access options. The most natural selection is the most prestigious public sector institutions, free studies, for those with top grades; then less prestigious public sector institutions, free studies, for those with standard grades; finally, either public institutions of both types, fees, or private institutions, for those with lowest grades. The social composition of students in fee-based forms reflects much more closely the social composition of Polish society in general in which only 17 percent of adults hold degrees. In free public institutions, children of (emergent) middle and upper-middle classes are over-represented which leads, as in many similar systems, to discussions about equitable access and fees for all. A crucial role in student choice is also played by geographical location. The student support system—stipends, grants and loans—is relatively well-developed. While at first the private sector was denied access to them, currently students from both sectors have the same rights, and the same formal requirements. While about 50 percent of non-repayable student grants and stipends are merit-based, new policy (MoSHE, 2009) is expected to provide 75 percent of public funds through needs-based schemes. The idea is to turn higher education from being academically focused to being equity-focused.

Polish Educational Policies and Market Forces

Although Polish higher education has managed to combine high enrollment growth rates with both forms of privatization, there are significant limitations. These include concerns about graduates' quality and the response of the labor market to widening access. OECD analyses stress that there is no evidence in current data of any “crowding-out effects” of lower-educated by higher-educated individuals in OECD economies: “on the contrary, there seems to be positive employment effects for individuals with less education in countries expanding their tertiary education” (Hansson, 2007: 18). The same conclusion applies to Poland.

Powerful arguments for further expansion come from other OECD research and analyses, most recently from Stephen Machin and Sandra McNally in their study of education systems and labor markets:
In no case considered here, can one speak of “over-supply” of tertiary education. The strong, positive and (often) increasing return to tertiary education suggests that “under-supply” is more of an issue and that continued expansion is justified. . . . If there were over-supply, relative wages and employment probabilities would fall to the level of their closest substitutes—and that has not happened.

(Machin and McNally, 2007: 3)

The point is that the right expansion produces more workers with the right skills and competences—but the wrong expansion may produce more workers horizontally or vertically mismatched to the labor market. The current privatization-driven expansion of higher education in Poland also needs to be assessed from this educational (mis)-match viewpoint.

Expansion through privatization raises crucial issues related to graduate employability. While links between public higher institutions and the labor market have been thoroughly studied in Europe, those between private institutions and the labor market have been severely under-researched. The internal privatization of public higher education institutions in Poland leads to further complications of educational systems in which alongside traditional full-time non-fee-paying students, there are part-time fee-paying ones. The quality of education provided to fee-paying part-time students in the public sector is commonly questioned by both academics and authorities; consequently, serious doubts are raised about the skills and competencies of graduates, and their future in competitive labor markets is uncertain. And as the share of both part-timers has been increasing steadily since 1990, to reach 60 percent (or 1.13 million) in 2008, the response of the labor market to the skills and competencies of these non-traditional graduates is of critical importance, possibly shaping future student behavior in selecting modes of studies. Wide-scale research in this area has not yet been done, as a recent UNDP report on Poland stresses (UNDP, 2007).

The expansion of educational systems in transition countries has been accompanied by financial austerity and the emergence of market mechanisms in the public sector and the market competition provided by private providers. As Levy has noted, “Central and Eastern Europe lies at the extreme for the global generalization that private HE emergence has been sudden, shocking, and unplanned” (Levy, 2007: 280). In expanding systems, though, the burden of costs of education was increasingly being shifted from governments to students and parents, leading to sharp national debates on fees, equity and efficiency. The expansion of the Polish system was made possible by its growing external and internal privatization, both referring directly to the opportunities provided by opening higher education to the market. In Poland, two alternative strategies to meet growing demand were used, both implicitly (rather than explicitly) supported by the state: the emergence of privately owned, teaching-focused,
fee-dependent institutions and the internal privatization of public sector institutions through which they were able to supplement their state subsidies with students’ funds.

Poland, in face of tremendous demand in access to higher education following strictly regulated, limited access in the Communist years (1945–89), encouraged the private sector to grow and encouraged the public sector to develop its fee-paying tracks. In times of financial stress, and with other priorities on the agenda, higher education (especially in the 1990s) was able to expand without governmental interference and without increasing per-student governmental expenditures. The state was neither willing nor able to subsidize the emergent private sector. The first forms of (indirect) subsidization appeared with the loan schemes for which private sector students became eligible in 1999, and with the reform of research funding under which private sector institutions became eligible for research grants in 2004. By 2008 the government was discussing the direct subsidization of teaching in the private sector, based on the proportion of the average per-student costs in the public sector. Moves toward further marketization of the system in 2009 are expected to be substantial, even though they will not introduce fees in the full-time public sector yet. But their introduction for those who have already got their degrees in one study area and want to get a degree in the second study area can be easily seen as a first step toward fees for all—which might finally mark a point at which the public and private sectors meet, going into head-to-head competition in teaching.

Concluding Remarks

Several conclusions can be offered. Polish higher education is one of the most heavily marketized systems in Europe, due to its extraordinarily high share of fee-paying students, the highest share of enrollments in a private sector in Europe, and an ongoing privatization of the public sector, with a substantial impact on its revenues. The demographic shift expected for the next 10–15 years in the fastest-ageing European society could fundamentally change the educational setting, however, leading either to the re-monopolization of the system by the public sector, after 20–25 years of a booming private sector, or to the survival of both and healthier market-based competition between the two sectors. The future shape of the system depends, to a large extent, on policy-makers.

If fees for all are introduced in the public sector (or if the private sector becomes state-subsidized in its teaching mission), the balance between the two sectors can be maintained, provided that other conditions are met by the private sector (e.g., increasing diversification of study areas and of geographical locations, the latter, e.g., via mergers or opening satellite campuses). If fees for all are not introduced in the public sector, and the private sector is not subsidized in its teaching, in the face of a combination of several factors (including further growth of vacancies in the public sector, further investments in public
infrastructure, and an expected 30–40 percent decrease in the number of candidates for studies due to demographic shifts), the private sector seems to be doomed. The most important question is thus about the overall impact of this sector (and its graduates) on the Polish system (and the Polish labor market), on the basis of the overall assessment of its presence since 1989. Policy decisions can follow either detailed analyses of the status quo via existing reliable data, or some ideological assumptions. As the reliable data in the area discussed are largely missing today, policy decisions taken about the future shape of Polish higher education will probably be based on ideology—which currently strongly supports marketization and privatization. One of the greatest things about considering the future is its non-predictability . . .

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