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

by

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This 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 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.
Introduction

This paper explores recent developments in Central and Eastern European (CEE) higher education systems from the perspective of four interrelated issues, dealt with in four separate sections. The first issue 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 about 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 avenue 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 relationship 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 the scarce public resources available. The social agenda of post-1989 Central and Eastern Europe is discussed, and the various roads to privatisation in education are viewed together with wider global thinking about the privatisation 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 European Commission’s EUEREK project on academic entrepreneurship. It is discussed briefly with reference to Burton Clark’s five elements of the “entrepreneurial university” (Clark, 1998, 2004). The four issues are 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.

Access and equity in Central and Eastern 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, p. 2). Post-communist transition countries are confronting challenges well-known to affluent OECD countries (related for
example to globalisation and/or Europeanisation, 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; Kwiek, 2003a, 2003b). 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% for example in Estonia, Hungary, Latvia, Lithuania, Poland, Russia, Slovenia and Ukraine (UNESCO, 2006, p. 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, pp. 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 organisational and procedural, related to changeable policies and procedures, and can be influenced more easily (see Skilbeck, 2000, p. 3). There are also some new activators, as well as new policy roads leading to more accessible and equitable educational systems. Transition economies are in need of a “knowledge-rich” workforce, and the systems are currently expanding. Despite dramatic changes, however, the enrolment gap between major Western OECD economies and most transition countries has not diminished. Within OECD, entry rates into tertiary education are already reaching 70% in Australia, Norway and the United States, and between 70% and 80% in Finland, New Zealand and Sweden; Hungary and Poland are doing exceptionally well with 69% and 70% respectively, but the Czech and Slovak Republics are doing considerably worse, with 33% and 40% respectively (OECD, 2005, p. 242; UNESCO, 2006, pp. 120-124). The question of 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,
In Poland, the number of students from disadvantaged, especially rural, communities rose from 2% in 1990, to 10% in 2002 and to 20% in 2005; the total number of students rose from almost 400,000 in 1990 to almost 2,000,000 in 2006 (see OECD, 2006a, 2006b, Youth 2005, 2005). What was at the heart of the Polish educational policy success?

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 (tax paid) 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 for part-time students. Increasingly, there were more students, and especially in the 2000s, they came from disadvantaged social backgrounds. The widening of access and growing equity were accompanied by fee-paying mechanisms, which in 1998 were supplemented by the introduction of student loans, more widespread in the 2000s. Between 1998 and 2005, the total cumulative number of student loans was 268,000, starting with 100,000 in 1998/99, 152,000 in 2000/01 and 198,000 in 2002/03. The rate of increase seems smaller in 2006/07; at the same time, the number of scholarships – which between 1990 and 1998 was in the range of 150,000-180,000 – had increased in 2005 to 573,000, including 348,000 for regular students (GUS, 2006, p. 268; to contrast with the United States, 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 smaller. Poland also witnessed exceptionally high returns from higher education (about 160% of the average earnings in 1998-2004) and relatively small unemployment rates among its higher education graduates (7.9% in 2005, UNDP, 2007, p. 141). However, there were significant costs to these developments which need careful examination: lacking quality control and problems of financing (O’Brien, 2006, p. 18; OECD, 2006b, p. 105ff), and growing conflict between quantitative development/expansion of the system and quality standards, especially in the mid 1990s (OECD, 2006a, p. 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 15 years (5 times more students), and the social composition of the student body (10 times more students from traditionally socially disadvantaged, especially...
rural, families), Polish higher education has been an interesting case. From a more economic point of view, we realise that the highest returns on investment in human capital are at early childhood and 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 backgrounds (see a report for the European Commission by Wößmann and Schütz, 2006, p. 11). The Polish private sector and fee-paying studies in the public sector, in general, open higher education to new populations of students who invest themselves in their education.

The main hypotheses about the Polish equity (and accessibility) “success story”, exceptional among other transition countries, include the following:6

1. The key factor determining a substantial increase in equitable access to higher education in the 2000s was the liberal attitude of the state and its agencies 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 Poland’s exceptionality: elsewhere strict laws and regulations quite often 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, should be viewed as a considerable limitation, however. 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: the state has provided no subsidies, and the sector has been fully self-reliant financially. Its growth corresponded to the economic transition to a market economy and the social transition to a market-oriented way of thinking about services (both public and private).

4. A specific form of entrepreneurialism, mostly teaching-oriented, of public higher education was another crucial factor:7 liberal educational policies allowed introducing large-scale fee-paying studies (and cost-recovery mechanisms) in the underfunded public sector. This limited state intervention – guidance only through an “enabling framework” (Steier, 2003; World Bank, 2002, p. 83) – contributed to the 400% increase in the number of students in the public sector between 1990 and 2005.8
5. The structural reform of all levels of education which started in 1997 also played a crucial role in strengthening the trend of increasing equitable access. By 2006 the reform had reached higher education, with an objective standardised “new matura exam” (Polish SAT, upper secondary education certificate) whose results are 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 a disadvantaged background (especially in the last five years) have increased in Poland substantially (OECD, 2006a, p. 55).9

The decade of biggest changes in enrolments in CEE countries was the 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% in Albania and Romania, between 10% and 15% in Hungary, Slovakia and most post-Soviet Central Asian republics (Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan), between 15% and 20% in Croatia, the Czech Republic, Macedonia, Moldova and Poland, (as well as Armenia and Georgia), between 20% and 25% in Belarus, Bulgaria, Latvia, Russia, Slovenia and Ukraine – and highest rates were in the two small Baltic countries – Estonia (36%) and Lithuania (28%). After a decade, in 1999, some transition countries already had gross enrolment rates higher than 40%: Estonia (45%), Latvia (46%), Lithuania (40%), Poland (43%) and Slovenia (51%) (Pachuashvili, 2006).

The modes limiting the number of places available in public higher education differ strikingly between Central and Eastern Europe and Scandinavia (plus Ireland, Portugal, Spain and the United Kingdom) on the one hand, where the selection is done freely by the institutions (in accordance with their capacity or national criteria), and the rest of Continental Europe, including Austria, Belgium, France, Germany, Italy and the Netherlands, where there is free access to places in most branches of studies. In new European Union (EU) member countries, the number of places available is limited for all courses through state funding – and increased access (and equity) can be achieved, as in Poland, via private higher education and fee-paying part-time studies in the public sector. Poland and Romania (the two countries with biggest share of private enrolments in Europe) and the new EU Baltic countries have attained the most rapid growth in the number of higher education students in recent years in Europe: between 1998 and 2002, the number of students in the EU25 grew by 16%, while in Romania it was 61%, in Poland 60%, in the three Baltic countries 40% and 57%, and in the Czech Republic, Slovakia and Hungary between 32% and 46% (see Eurydice database, www.eurydice.org).
The chronic underfunding of public higher education in transition economies means permanently seeking temporary solutions; some of these market-oriented solutions – e.g. cost-sharing in the public sector for fee-paying part-time students, following a full-cost recovery model in the private sector, or the state authorities giving the green light for expending the accredited private sector – subsequently become parts of national policies and legislation.\textsuperscript{10} 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).\textsuperscript{11} At the same time, as education costs have become increasingly shared between governments and students/parents, several transition countries, Poland included, have been successfully experimenting with student loans (see Johnstone, 2003, for an international perspective; and for the World Bank activities in the area in Bulgaria, Hungary and Poland, see Salmi, 2006).

The radical expansion of educational systems has been accompanied by financial austerity, 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 privatised health care, as well as insights into policies of dealing with private providers under conditions of huge social demand for their services.

Higher education systems in countries such as Poland needed deep institutional and structural changes, accompanied by liberal government policies which could quickly accommodate the increasingly diverse (and 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 to sharp national debates on fees, equity and efficiency; this was the case in Poland (globally, see especially Teixeira et al., 2006; Salmi and Hauptman, 2006; Marcucci, 2006; Pennel and West, 2005; for the EU views, see EC, 2005b, 2006). The changing relationships between higher education and the state, under conditions of fiscal austerity (see Kwiek, 2006a), have been directing policy choices in education and have provided rationale behind changing educational laws towards 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; Shatock, 2004, 2005), and systems were “responding to austerity” through partial “cost-sharing” – as in Poland, Russia and Ukraine – (see Johnstone and Bain, 2001; Johnstone, 2003).
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 (for a fuller picture, see Kwiek, 2006e, from which this section draws). Major EU economies, including France, Germany, 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% of total enrolments in Belarus, Bulgaria, Hungary and Ukraine, 20% of enrolments in Latvia, Moldova and Romania, and 30% of enrolments in Estonia and Poland. In 2004, over 700 private institutions (including 300 in Poland, 200 in Ukraine and 70 in Romania) functioned across Central and Eastern Europe. In Russia, private enrolments exceeded 13% 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 the 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. The Higher Education Act of 1990 paved the way to developing the private sector in general and the Vocational Higher Education Schools Act of 1997 provided legal grounds for the 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, p. 20). Since the beginning of the 1990s, the private sector has changed the educational landscape in Poland beyond recognition: in the academic year 2006/07 almost one-third of the 2 million student body (32%) went to 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, their easy access ranking perhaps highest among the factors (no competitive entrance exams prior to 2005, no competition based on the “new matura” results after 2005). Their increasing number has improved access to the higher education system as a whole. Consequently, gross entry rates into tertiary education in Poland reached 70% in 2003, ranking fifth among the OECD countries (OECD, 2005, p. 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 labour market and their state peers – 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 universalisation of higher education was the following: the number of students was 252 000 in 1965, 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 1 941 000 in 2006. 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 suit), in some CEE countries higher education became an affordable product, somehow unexpectedly but in tune with Western European trends towards massification and universalisation. 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 can easily lead to social exclusion and marginalisation.

Private institutions are not subsidised by the state in transition economies, except, in some countries, in cases such as subsidised student loans or student stipends, and – to a very limited extent – research.12 There are also country cases of public subsidies to private universities, e.g. Hungary; also some religious private institutions receive public funding, e.g. in Poland. In general, private institutions are almost fully subsidised by students who purchase their teaching services. Therefore, unfortunately, the private sector is mostly a teaching sector, and carries out almost no accompanying research, 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, private institutions derive a strong degree of their legitimacy from their students and families who are willing to pay for their services. 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 Master of Business Administration programmes, liaise with foreign institutions and offer dual degrees, and provide distance education, part-time weekend education and other modes of learning convenient to the student. Often private institutions monitor the labour market, open career centres 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 portions of local, regional or national educational “markets”, and finally prepare their graduates for living and working in market realities. They also exert a 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, organisational frameworks, legal status and relations to the established institutional order. Needed are 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 privatisation and corporatisation 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 (see Kwiek, 2004).

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 among 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 continue coping 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 into account the problem of both the private sector and the market forces in higher education. The overall “revitalisation” 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 labour markets have their own traditions and which generally are at slightly 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 an ever larger and previously under-represented student body, how to reform 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.

**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, 2006a, pp. 227-271, chapter on “The University and the Welfare State”, and Kwiek, 2008). 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 EU15, is relatively low: while in major higher education systems (France, Germany, Italy and the United Kingdom) total private and public expenditure per tertiary student in purchasing power standard in thousand euro units 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 (Latvia 3.0, Lithuania 3.1, Bulgaria 3.2, Romania 3.4, Poland 3.9) 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 the biggest EU15 economies, except for the Czech Republic, Hungary and Slovakia where it is two times lower (see data for 2001 in EC, 2005a, p. 35). In terms of funding for research and development, 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, p. 43).

Basically, the situation faced by governments in transition economies is that of a zero-sum game: gains in share by one programme (e.g. higher education) have to come at the expense of other programmes (see Hovey, 1999). This lose-lose situation is clear in most post-communist 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 determine how the pie is cut. Concerning welfare policies in European transition countries (and, by extension, about public universities in government priorities) Bob Deacon notes 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, p. 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 programmes 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 EU15 countries. Higher education, to gain a bigger...
share of government funds, would have to compete successfully against other state-funded programmes, regardless of whether taxes are raised (a rather difficult, if not impossible option). As expressed by Giuliano Bonoli and his colleagues researching the welfare state in a European context, “a basic premise of current welfare policy-making is that taxes cannot be raised” (Bonoli et al., 2000, p. 72). Future prospects for increasing public funding on public higher education, including public universities and research and development, are very low indeed.

After the policies of the golden age of expansion (1950-75), European welfare states have been shaped by what Paul Pierson, a Berkeley-based political scientist, termed politics of austerity (Pierson, 2001). 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 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 now under severe pressure, though perhaps under less pressure than its two main parts, 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 Central Eastern Europe. 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 the 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 prominently in this sector. In Poland, bold reforms of the public sector began in the second half of the 1990s, starting with pensions (the introduction of a World Bank-supported multipillar system), healthcare (decentralisation of funding and partial privatisation), and primary and secondary education (decentralisation of funding). Public higher education still remains unreformed, despite 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.

**Academic entrepreneurship in the private sector in Central and Eastern Europe: reflections from the EUEREK project**

Concerning the “equity and access” success story of Polish higher education, one might naturally wonder about its entrepreneurialism, especially the entrepreneurialism of new private institutions in connection with apparently notoriously old-style and unreformed public institutions. The results of research in this direction are somewhat surprising: overall, in CEE countries, and in Poland in particular, it is in the public sector of 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 Netherlands, Spain or the United Kingdom. However, overall, the one-dimensionality of the private institutions (their mostly teaching role) does not have any immediate negative impact on equitable access to them. They are as open to new students as public universities through their part-time fee-paying modes of studies. Let us try to summarise briefly the conclusions about academic entrepreneurialism of private institutions as they have emerged from the EUEREK project (see Kwiek, 2006c, for a theme paper).

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 limited. But they are often 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 are self-determined rather than influenced by state policies. The major source of non-core/non-state funding in almost all cases is student fees; no major changes in income structures have been reported in recent years. No major academic risks are 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. Likewise, apart from teaching, few examples of other major kinds of dissemination of knowledge are reported. In addition, the number of mechanisms of knowledge transfer/knowledge exploitation is limited. 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). The problem with the private sector is that almost all funding (100% in Poland) 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” (the first of Burton Clark’s five “pathways of transformation” [Clark, 1998]) 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 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, endowments or campus operations is negligible. Also there is no major need to keep complicated resource allocation formulas in funding particular departments, or to keep a fair balance between the centre and the units through elaborate top-slicing and cross-subsidising 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 centre is constantly dealing with risk whose management and understanding is crucial; and the risk, to manage on a daily basis, is the financial one. The role of bringing in resources (through maintaining or increasing the number of students) seems more important than the role of creating a reputation for the private institutions studied. In terms of management structures, as in public entrepreneurial universities, private institutions have powerful centres, strong management groups, usually comprising 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 and fundraising officers are 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 centres 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 aggressively seeking new research areas. Also the role of new administrative units, so crucial to the public entrepreneurial institutions studied is marginal by comparison. Most new posts and new units in the public sector are related to new opportunities of research funding, the exploitation of research results, innovation, international off-campus teaching, royalty rights, etc. In the private institutions studied, the need for these units remains small. 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 private sector.

Almost all private institutions studied are only marginally involved in research. 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 competition for students and their fees. The vast majority of case studies imply 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 and teaching. Private institutions do not take part in this race for external funding, however. 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).

**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: substantial differences exist between the directions of system changes in Central Europe, Eastern Europe (and Central Asian post-Soviet republics, not discussed here), and 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 (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 privatisation 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, higher investment in private research and development (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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Notes
1. This paper is a revised version of a guest lecture I gave in a series of lectures organised by the CHES (Centre for Higher Education Studies) of the Institute of Education, University of London, on 5 December 2006. I would like to thank warmly Dr. Paul Temple for the invitation and the participants for their extensive comments. Some revisions to the paper were done while I was a Fulbright New Century Scholar 2007-08, under the Distinguished New Century Scholar Leader Dr. Bruce Johnstone. Let me express my gratitude for the wonderful opportunities provided by the Fulbright NCS Program.

2. For other case studies of widening access, see for example Bastedo and Gumport, 2003, for the United States; 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, 2003b, for Europe-wide developments.
3. In Poland, the radical educational differentiation between the rural communities and the cities, to an extent unknown in Western Europe, has been of critical importance; Poland also has the highest share of employment in agriculture in the EU27, reaching 18% in 2004 (UNDP, 2007, p. 91).

4. The highest rate of return from tertiary-type A and advanced research programmes in OECD countries is found in Hungary (274%), followed by the United States and Finland (198% and 188%, respectively) (OECD, 2005, p. 130).

5. In a European perspective, this rate is still above the EU25 average of 4.2%. Poland has had the highest unemployment rate in EU25, though, decreasing from almost 20% in 2003 down to 12% in 2007. By comparison, the unemployment rate among the population with higher education is 5.0 in France, 4.3 in Germany, 5.3 in Italy, 7.4 in Spain and 2.4 in the United Kingdom (data for 2002; EC, 2005a, p. 29).

6. 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, 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 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 and Haas, 2002); the growth of demand-driven private higher education on a global scale and in transition countries (Levy, 2004; Slantcheva and Levy, 2007; 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, 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.

7. 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 the 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 [the EUEREK] case study evidence entrepreneurship 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, p. 2).

8. The structure of the student body in Poland in 2005 was the following: total enrolments 1 954 000, divided almost equally between two major modes of studies: regular (950 000) and part time (920 000) studies; public sector 1 333 000 and private sector 621 000 (32%), of which 443 000 part time and 148 000 regular students (GUS, 2006, p. 34).

9. The equity success story can be measured by the increase in the number of students with low socio-economic backgrounds: in Poland between 2002 and 2005 the share of students whose mothers had only primary education increased from 7% to 18%, while those whose mothers had secondary vocational education
increased from 13% to 23%. In the case of mothers with postsecondary and higher education, the increase, quite expectedly, was marginal (from 53% to 55%) (see Youth 2005, 2005, chapter on the perception of the role of education).

10. Public funding for higher education in Poland in 1990-2003 was generally between 0.75% and 0.89% of gross domestic product (GDP), except for the year 1990 (when it was highest and reached 1.11%); and in 2004 and 2005 it reached the level of 1% (GUS, 2006, p. 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 the EU25 average (1.0%). In 2001, in selected EU countries public funding as a percentage of their GDP varied from 0.8% in Italy and the United Kingdom, and 1.0% in France, Germany, the Netherlands, Portugal and Spain, to 1.1% in Ireland, and 1.2% in Austria, and was the highest in Sweden at 1.5% and in Denmark at 1.8% (combined with private funding, the percentage of GDP for education in these countries was 1.0% in Italy; 1.1% in France, Germany and the United Kingdom; 1.3% in Ireland, the Netherlands and Spain; and 1.8% in Denmark). Ireland, Spain and the United Kingdom spent the highest percentage of GDP (0.3%) from private funds on higher education (EC, 2005a, p. 35).

11. Kwiek, 2006b, is heavily drawn from a research project for the European Commission (EUEREK) on various dimensions of “academic entrepreneurialism” from a comparative perspective of six countries, with an in-depth institutional case studies of three Polish universities (see www.euerek.info); and from a Ford Foundation project on the growth of private higher education, “PROPHE: Program for Research on Private Higher Education” (see www.albany.edu/dept/eaps/prophe/).

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% of GDP in 1994, to 0.43 in 2000 to 0.34 in 2003) and is not supplemented by private funding for research.

13. The business sector is probably the most important sector in which research and development (R&D) is performed. Business research and development is market-driven and accounts for most expenditure on innovation, as recent figures from the European Commission argue (EC, 2003, p. 27). The business expenditure on R&D as a percentage of R&D intensity is 65.6 in the EU15 (with the highest levels in Sweden and Switzerland, at 78 and 74, respectively) – as opposed to Hungary and Latvia (40), Poland (35), and Bulgaria and Lithuania (21).

14. The EUEREK case studies involved 27 universities from Finland, Moldova, Poland, Russia, Spain, Sweden and the United Kingdom. The project “European Universities for Entrepreneurship – Their Role in the Europe of Knowledge”, 6th Framework Programme of the European Union (2004-07), was co-ordinated by the Institute of Education, University of London (Michael Shattock, Gareth Williams and Paul Temple), and most case studies and theme papers are publicly available from www.euerek.info.

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