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GLOBALIZATION AND HIGHER EDUCATION

The subjects of this article are the processes of globalization in higher education. On the basis of the experience of leading countries and the current situation, it suggests some solutions for the adaptation of the Bulgarian education system to the new global challenges. The author stresses on the mechanisms of increasing the quality and effectiveness of Bulgarian higher education. Solutions are searched in the deregulation and the expansion of academic autonomy, pluralism and financial self-sufficiency, introduction of new methods of management. The article supports the idea that the government should gradually withdraw from education, but at the same time it has to increase its role in the definition of educational goals, financial support and control over the quality of the education product.

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In one of his books, written 37 years ago, Clark Kerr stated that only about 85 institutions, founded before 1520, had survived and kept their functions up to that moment. Among them were the Catholic Church, the Parliament of the Isle of Man, and those of Iceland, and Great Britain, several Swiss Cantons and about 70 universities.¹ Today this picture is threatened and the menace for the universities stems from the development and spread of the new technologies in education, strong competition and the appearance of a global education market, driven not by traditions, government regulations and protectionism, but by the market forces, new educational institutions, significant changes of the characteristics and mission of the higher education and universities.

The common source of all these changes is globalization, based on the new information and communication technologies. As a process, which covers and influences the entire social life, it changes radically the characteristics of higher education and necessitates new approaches to its management. In this relation the goal of the present article is to examine the consequences of the process of globalization for the system of higher education, analyze the experience of leading countries and suggest some solutions for the adaptation of the Bulgarian education system to the new global challenges.

It is understandable that because of the limited possibilities of one publication and one author we are not going to cover the entire subject and make ultimate conclusions and suggestions. They are necessary but they are possible only after abroad discussion, covering much more problems and approaches, than this article.

Globalization and Trends in Higher Education

Globalization brings, as a basic driving force of the economic and social development in the new information era, the knowledge and the possibilities for its

¹ Kerr, C. *The Uses of the University* Cambridge. MA, Harvard University Press, 1963, p. 115.

production, transferring and application through information and communication technologies. The knowledge, needed by everyone, is growing repeatedly and all that increases the importance of education and the possibilities for its acquisition and updating during the entire individual life. In that way globalization affects directly the whole higher education system - it raises its role but at the same time brings a number of challenges before it. These challenges are connected with the new requirements for the labour force qualification, the changing institutional environment and the influence of the new information and communication technologies, the necessity of some reforms in the public sector and budget restrictions, the increase of competition and achievement of international recognition for the quality of the education product.²

As a result of conversion of the knowledge into a main driving force of the economic development of the nations, business success, non-government organizations and individuals, globalization calls for transforming the higher education from a privilege for a selected minority to a *mass necessity*. Only for the period between 1950 and 1997 the number of students in higher education establishments in the world increased over 14 times – from 6.5 to 88.2 million people,³ and the expectations for the years to come are for even more significant increase of the number of the students, especially among the elderly students and the minorities.⁴ Thus the traditional education systems, having the task to build a certain educated elite, transform into systems covering and transferring practice-orientated knowledge to a larger number of people,⁵ and the universities transform from creators of knowledge, teaching units and holders of cultural values into a main factor of the economic growth - knowledge factories and a center of the information-based economics.⁶

The mass demand for higher education makes the educational sector a new, open, expanding and exceptionally attractive market, whose efficiency continuously increases and whose scale economies become more tangible. The answer of the higher education systems to that is *expansion of the existing institutions* through building consortiums, for-profit branches, distance and Internet-based education, and *the appearance of new nontraditional higher education institutions*, in the shape of the new private universities with traditional, virtual and distance teaching methods, teaching and certificate organizations in the sphere of the new

² Tenth Report to the National Board of Employment, Education and Training. Canberra, Department of Employment, Education, Training and Youth Affairs, Higher Education Council, 1996, May.

³ Facts and Figures 2000. UNESCO Institute for Statistics, 2001, p. 17.

⁴ Carnevale, A., R. Fry. Crossing the Great Divide: Can We Achieve Equity When Generation Y Goes to College? Leadership 2000 Series, Princeton, New Jersey, 2000.

⁵ Fallon, D., M. Ash. Higher Education in Era of Globalization. - In: Lankowski, C. Responses to Globalization in Germany and the United States. Washington, D.C., American Institute For Contemporary German Studies, 1999, p. 67-78.

⁶ Inside the Knowledge Factory. - Economist, 4 Oct. 1997, p. 3.

technologies, corporation universities, museums, publishing houses, television networks and even government agencies. The tendency of increasing the number of institutions, offering education, is remarkable. Only in the USA for the last years the number of degree institutions had jumped from 3500 to over 5000.⁷

The development of *the distance and Internet-based education*, whose market is more than 300 billion dollars is especially rapid. Only in the USA it enrolls over 3 million students and 1200 higher education institutions have taken positions on it.⁸ Examples of the expansion of this education are: University of California Los Angeles (UCLA) Extension School, which together with Home Education Network offers over 50 Internet courses, the British Open University, educating 250 000 students in 43 countries, among them are the USA, Brazil, Greece, Russia and India, Monash University of Australia, which has distance learning centres in Great Britain, South Africa and Malaysia and offers 103 distant courses for students from 80 countries, Japanese Tokyo University Group with activities in the USA, Great Britain, Holland, Germany, China and Malaysia.

For the past few years a number of universities, offering distance education, have found Bulgaria. Among them are: the International University and the Slavonic Institute based in Moscow, Kiev Slavonic University and the International University of Great Britain. However their activity is not in compliance with our laws and they are accredited neither as educational institutions nor as syllabuses and they are rather an example of the negative consequences of globalization that must be avoided.

New phenomena are the powerful *educational consortiums* as the: Santanger Group, consolidating about 40 universities in Europe, Universitas 21 consortium, grouping 24 institutions from Australia, Asia, Great Britain, Canada and the USA; Western Governors University, uniting some US universities with the aim to set up and maintain joint infrastructure and to carry out courses for students from all over the world; the CLUSTER group, connecting 11 leading universities in Europe, etc.

Contemporary information technologies in education and the advantages of the organization effectiveness of the private property successfully combine in the new *for-profit oriented universities*. For example, the University of Phoenix, owned by Apollo Communications Inc., offers through its educational centres in the USA, Brazil, Mexico, India and China, high quality and accredited bachelor and masters programs to over 60 thousand students and has an a monthly revenue of 30 million dollars and profits of over 4 million dollars. The success of for-profit universities in the competition with the traditional non-profit public and nongovernment universities has been proved by the mass demand for their services and their

⁷ Newman, F., L. Couturier. The New Competitive Arena: Market Forces Invade the Academy. The Futures Project: Policy for Higher Education in a Changing World. Brown University, March 2001, p. 5.

⁸ Newby, H. Higher Education in the Twenty-first Century. New Reporter Supplement, 22.03.1999, Vol. 16, N 14.

large-scale activities. For instance over 48 thousand students study at DeVry, Inc. and its profit is 24 million dollars, ITT educates 26 thousand students, and Education Management successfully sells its product to more than 19 thousand students.⁹

The nonacademic suppliers of educational services in the sphere of new technologies have a more significant role on the educational market, where leading companies like Microsoft, Novell and Cisco actively go into and occupy greater share in the market. At this moment about 300 mainly nonacademic institutions connected with them offer software education and certification. Some estimates claim that 1.6 million people have used their services and the issued certificates are over 2.4 million.¹⁰ These nonacademic forms of education can already be found in our country at the training centres of ITCE, Bora Systems, Rila Solutions and Technologica. They successfully compete with and supplement the traditional education at our technical universities.

In order to realize their business strategies today *many corporations have build up their own educational units*, in which they combine their educational resources and qualification is run as a business project. Thus in the year 2000 40% of the world top five hundred companies had their own universities. Their number in the USA was around 2000 and some analyses indicate that in 2010 the number of the corporate universities will exceed that of the traditional universities.¹¹

Such expansion of the supply and demand create an *effective market for educational services* and with the help of the new information and communication technologies, which overcome the limits of time and place, and the universal application of English, this market becomes *global*. Today the global educational market allows faster knowledge, with low costs and regardless of its volume, to overcome the national boundaries, incredibly broadening the choice of educational institutions, the forms of education, majors and countries by the students and makes cooperation between the lecturers from different countries, easier. In such a way globalization increases the opportunities for realization of the education product of each university, but at the same time it boosts competition, which can quickly supplant it from its existing positions if this product is not of a good quality and not competitive enough.

Globalization not only creates mass and commercialized education but also deeply changes the *requirements for the offered education services*. Today the characteristics of these services is not so much the transfer of information but rather the training of students to find the necessary information, when and where

⁹Winston, G. For-Profit Higher Education: Godzilla or Chicken Little? - Change, Jan/Feb. 1999, Vol. 31, Issue 1, p. 12.

¹⁰Adelman, C. A Parallel Postsecondary Universe: The Certification System in Information Technology. U.S. Department of Education, Office of Educational Research and Improvement, Washington, D.C., U.S. Government Printing Office, 2000.

¹¹Meister, J. The Brave New World of Corporate Education. Chronicle of Higher Education, 9 Feb. 2001, B10-11.

they need it, to value it and to be able to convert it into knowledge by themselves as well as in interaction with the group they belong to. The increasing life expectancy, the increasing change of residence, longer working hours and the diversification of education seekers increase the necessity of converting the education along the life cycle into a basic educational philosophy; increasing the offered non-degree courses, arising the opportunity for receiving an educational degree by accumulating credits over a longer period of time; developing different forms of distance learning.

Such changes in the character of the demand for education and the pressure of the competition force *different attitude of the educational institutions to the students*. To a larger degree they are not considered as people, who should be grateful to the university for giving them the opportunity and the privilege to study, but as consumers and clients for which each university must compete and to whom it must repeatedly demonstrate its priorities over any other educational institution. Indeed, the inter-dependence among different nations in the global economy and the common issues and requirements for the labor force training necessitate the unification of the standardization of offered educational services in conformity with the leading world academic standards. Standardization must be an adequate response to the requirement of the business sector to the qualification of the labor force and it has to guarantee worldwide recognition of received training and education as well as the opportunities for academic and professional students transfer. In spite of the imposed standardization globalization doesn't reject, but on the contrary it is based on the differences and if the educational institutions want to succeed in the global competition, they should prove their uniqueness and individuality. That is why satisfaction by the consumers of educational services today can be achieved only if *the universities continue to build their specific academic environment and sense of affiliation among their graduates*.

In the era of global competition the educational institutions have to take under consideration *the economic efficiency* of their activities to greater extent. They must control the costs, the quality of offered educational services and the achievements of their students. Here the main indicators for effectiveness and quality are not only the approved quantitative measures for the used resources, like proportion of faculty to students, number of professors and assistants, share of the habilitated staff, percent of the students who have successfully completed their study, size of the libraries, etc., but also student's satisfaction and the degree to which education meets their interests and needs.

It is especially important *the measures restricting the costs not to have bad influence on the quality of the offered educational services*. That is why they must be very carefully planned, organized and accomplished. The experience of a number of universities with programs for distance and Internet-based education has proved that the quality of their activities is the same and even higher than the quality of the alternative traditional courses if these nontraditional methods are applied in the teaching of appropriate subjects and if they are implemented with

right technologies and subjects and near 70 % of the students in the USA believe that computer technologies have improved the quality of education.¹² At the same time the expenditures connected with these programs are much lower. Thus according to some data from Phoenix University the expenditures per one hour teaching in this virtual university are 237 dollars and the expenditures for wages are 46 dollars, while at the universities with traditional forms of teaching the same expenditures are 486 and 247 dollars.¹³ Thus the new information and communication technologies allow the universities to maintain high quality of their educational services with less costs and those of them which want to have leading positions or even only to survive in the global competition have no other choice but orientation to fast adoption.

Globalization raises new requirements to the *management of higher education institutions*. The increase of knowledge that must be transmitted, the complication of the learning process itself and the mass demand for higher education require adequate changes in its administration and use of new nontraditional organizational structures, aimed at reducing the objective threat of bureaucratization. There is a variety of practical examples about this in the world¹⁴ - active application of the information technologies in the management itself, academic credit banks, institutions that do not teach but attest students and have a signal function for the education, universities having only academic faculty but no buildings, or even without faculty.

Globalization needs more and more diversified knowledge and skills but with the limited resources and the necessity of maintaining strong competition pressure education institutions no longer have the opportunity to use the extensive methods, which they have used till now – more subjects, more faculties, departments and chairs, larger specialization and more courses. The adaptation to this new requirement calls for internationalization of the educational plans and programs and international cooperation in the implementation of the research and study projects; flexibility, integrated efforts of several scientific direction and areas; recruitment and dismissal of faculty and research staff according to the needs; stimulating the active attitude of the students to teaching and adjustment of the teaching methods to the individual students' characteristics and abilities.

The growing competition and the pursuit of higher quality compel the universities to search for *new methods of financing, admission of students and price discrimination*, allowing them to survive in the growing competition for the best students by offering attractive financial aid and services. For that reason today in the USA the private educational institutions offer financial support of up to 79%

¹² Newman, F., J. Scurry. Higher Education in the Digital Rapids the Futures Project: Policy for Higher Education in a Changing World. Brown University, May 2001.

¹³ The WTO and the Millennium Round. What is at Stake for Public Education? EI/PSI Joint Publication, <http://www.ei-ie.org/>

¹⁴ Johnson, B., A. Arora, W. Experton. The Financing and Management of Higher Education: The State of Reforms Worldwide. Washington, D.C., World Bank, 1998.

of the enrolled undergraduates and 60.8% of the universities offer financial aid to 80% of their students.¹⁵ Furthermore, the size of the financial assistance is positively correlated with the reputation of the educational institution and it has become one of the most important signals for the quality of its preparation. For instance the first 20 private universities offer their educational services at an average annual value of 38 336 dollars at the average price of 12 740 dollars, while the last 20 of them offer education at an average value of 8794 dollars at the price of 6580 dollars.¹⁶ Thus the better the university is, the higher the price for its product is, but those who pay for it, pay less.

It is of great importance for the up-grading of the competitiveness of the education services *to cooperate with the leading private firms in the area of the information technologies and communication*, where the educational institutions apply their academic and expert knowledge, while the private business provides the necessary technologies, production bases, distribution and marketing for the global presence. Examples of this are the joint efforts for overtaking new educational markets of such big university and research centres like UC Berkeley, Michigan and Columbia with leading companies like Time Warner, Disney Corporation, AT&T, IBM, Microsoft and Cisco. Within the framework of such cooperation the universities receive the financing they need, while the private sector gains access to well-developed procedures for quality control and good reputation.

Today and to a greater extent in the future the universities will turn into *mediating qualification agencies and publishing centres*, which connect the necessary educational resources, see to the satisfaction of the increasing requirements in the preparation and perfection of the academic staff, and more importantly – they provide the quality control and the signal function of the conducted courses and training programs. In carrying out this role the main challenges are discovering of *the optimum structural and functional solutions*, provision of *the institutional integrity and loyalty of their academic and nonacademic staff*. The latter challenge is extremely great, because globalization makes easier and more frequent the communication between colleagues, who work on the same subject at the other end of the world, than between colleagues from his own faculty or department. In this way, specialization of the academic staff results in fragmentation and shifting of the sense of community from the university to the scientific area. One additional effect of this shift in the interests of the faculty staff from the institutions to the appropriate specialized scientific communities is the observed tendency that the reputation of the academic staff depends mainly on their research work and less on the teaching process. As a consequence mainly

¹⁵ *Lapovsky, L., L. Hubbell*. Positioning for Competition. - In: Proceedings from the NACUBO Forum on Tuition Discounting. National Association of College and University Business Officers, 27 April 2000 - 20 Aug. 2000, www.nacubo.org/website/members/issues/bulletins/Discounting.pdf.

¹⁶ *Winston, G., D. Zimmerman*. Where Is Aggressive Price Competition Taking Higher Education? - *Change*, May-June 2000, p. 10-18.

young lecturers are in the lecture halls, while the experienced staff work for government agencies, research centers, steering committees, and editorial boards.

The change in the role of the universities leads to *modification of the traditional vertical relations between students and faculty to horizontal one*. With them the teaching methods stress on consultations, dialogue, and interaction. Lecturers are only one of the elements of the educational process in the centre of which are the students' groups and they are rather assistants, consultants, experts and students' colleagues. The students' role is quite new too. The dynamics of education and transferring of the group interactions into a basic instrument of learning, call for more active participation.

Globalization and government policy in the field of education

Up to this point we have summarized the basic challenges, which globalization imposes on higher education. Now we are going to discuss the main factor, which defines the ability of the educational systems to adapt adequately to these challenges. This is *the government policy in the field of education*.

Undoubtedly, this policy is also an object of serious reforms caused by globalization. Despite the enormous variety of educational structures and institutions and the differences in such areas like tuition, the degree of government control and financial assistance, the size and the internal management structure of the educational units, study plans and syllabuses, teaching methods and the quality of the educational services, *some common features in the successful reforms of the government policy toward education*, seeking better adaptation to the needs of the global market, can be found. These common features are:¹⁷

- Decentralization of the management, decrease of the regulation and stimulation the effective decisions of the educational institutions;
- Substitution of the generous government financing and central planning by more rigorous output-oriented and cost-accounting privately financed and market-oriented systems;
- Emphasizing on the control and the maintenance of the quality of the offered educational services in the public policy;
- Liberalization of the national educational markets and support of the national universities in their competition in the global market.

The questions that logically follow are whether and to what extent these common characteristics of the reforms in the educational world policy have place and are appropriate for the Bulgarian specific conditions of transition; what their priority and time sequences should be, if they are necessary; what the specificity and the concrete mechanisms for their application should be. Of course, taking into account the limited goals we have here, these questions cannot be answered systematically and thoroughly, but the necessity to search for these answers is so

¹⁷ Financing Higher Education: Current Patterns. Organization for Economic Cooperation and Development. Paris, 1990.

great that we will dare make some recommendations, which can be helpful if not with their explicit stand and full validity, but as an attempt to initiate a more profound discussion.

Undoubtedly, the government policy in education should support our educational institutions by *facilitating their adaptation to the requests of the global education market*. As we have already explained, today the competition between the educational institutions is much stronger and this gives them an impetus the quality of their services and to reduce the price of education. In order to achieve this and to succeed in international competition, the universities should have bigger independence and flexibility, which raises the question of the withdrawal of the state from the educational sector and its deregulation.

For the present moment the existing regulation of our public universities is strong. The government determines the tuition fees, the enrollment, their distribution into specialties and educational levels, the system of the applicants' selection, a large part of the content of the educational plans, the organizational structures of the institutions and their main units, the policy of management of human resources, including the research staff selection and academic development, minimum requirements to the number of the instructors and in some cases the budget of the high school, etc. All this is a barrier to the creation of an internal competitive environment. It stimulates the education institutions to invest more in the political lobbying for a greater government commission and accumulation of more educational resources rather than in raising the quality, imitateness, effectiveness and competitiveness of their educational product. The solution in this situation is in the transfer of the rights and the responsibilities for the taken decisions from the government and their institutions to the educational institutions. This *deregulation of higher education* will allow the universities to:

- Determine their tuition and the rules for student enrolment as well as the educational technologies they use;
- Choose the appropriate organization structures, which will let them change from the local and national needs to the global market competition;
- Be managed rather like democratic and decentralized organizations, which support the individual efforts, cooperation and the loyalty of the academic staff.

Thus *the competition between the educational institutions will grow* and each university will search for its own market segment, characterized by a particular combination of quality and price of the educational services. As a result the proportion of quality of education to its price will improve; the average quality of the educational services will rise; the differentiation in education will be much more completed; the differences in the quality of the educational services provided by the universities will be higher; the students' abilities at different universities will be more homogeneously distributed and this will increase the pedagogical effectiveness of teaching.

The problem arising with deregulation is *the increase of the tuition fees along with the increase of the quality of education*, which can make the high-quality

education inaccessible for the able students who are poor. However, the universities as well as the government have the interest and possess the mechanisms to solve this problem. Its solution is beneficial for the universities because in order to maintain the quality of education, the reputation and the signal function of their diplomas they should attract more capable students.¹⁸ The instrument that educational institutions have in their possession is *the selection of the best applicants and their attraction by price discrimination of the tuition fees* (the best examples for this are the USA), by imposing higher fees but also generous scholarships for the best students. It is also important for the government to solve this problem because otherwise it will be impossible to share all the potential social benefits from education and the investments in it will be less than the one desired by the society. The instrument in the hands of the government for this are *student loans, whose payments depend on the future incomes* (examples here are Australia with the HECS system). Finally, the combination of discriminatory pricing and student loans may allow a rise in the tuition fees, improvement of the financial condition of the universities, which use more resources for the improvement of the quality of the services without restraining the access of the students and their families with financial problems.

All these results are very positive. However, they are possible only if there is a well-formed and well-functioning education market without any significant restrictions on competition. The building of such one in our country is still on nursery slope, so deregulation should be gradual and it must follow the increase of the competitive character of our education market step by step. That is why we suggest *partial deregulation in which government empowers the universities to set their tuition fees within certain limits*, a task that can be fulfilled in the immediate future.

There are several factors, which objectively restrict competition. They must be neutralized before higher education is regulated completely because only then deregulation can bring desired results.

The first is connected with *the limited students mobility*. This partly stems from the same overregulation of the education market and the following homogeneity of the educational services. Thus the deregulation of tuition fees and increase of the differentiation of educational services of different universities are going to increase the stimulus for the mobility and the competitive character of the educational market. At the same time there are other reasons, that even in the condition of complete deregulation slow down the mobility of students, transform the educational institutions into regional monopolies and decrease the quality of education. These are the financial and psychological costs, connected with the change of residence. In order to overcome it and so that deregulation brings the

¹⁸ For the quality of their product are important not only efforts of academic and administrative personnel, but also abilities of students to participate actively in the educational process and to interact with professors and other students. (See Lazear, E. Educational Production. NBER Working Paper, 1999, N 7349.)

advantages of the competition afterwards it is necessary for *the government to stimulate the practice of price discrimination of the students' transport costs, to subsidize the university hostels and canteens, to arrange legal status of distance and Internet-based forms of education*. As a result of all these measures the stimulus for student mobility will increase, while its costs will decrease, regional monopoly power of higher education institutions will be restricted and this will increase the competition in the educational sector and the quality of education.

Here, of course, we must take into account the influence of differentiation over *the mobility costs of the senior students* resulting from deregulation. That differentiation increases the specific nature of student training and this makes the students depend on their universities. Thus, if someone wants to leave the university and continue his/her education somewhere else, his/her exit costs would be very high. This substantially limits his/her mobility and creates the danger of opportunistic behavior of the university: during the years of education it is in a position to lower the quality of teaching and administrative services to students and rise their tuition fees. Such development is harmful both for students and universities, because the risk of opportunistic behavior and expected deterioration of price-quality ratio will decrease the demand for education.

The universities react to this unfavorable possibility by scheduling the specific subjects at the end of the study and by incorporating students' representatives into the academic and faculty councils. The government also can and must react by demanding students' participation in the management bodies of the universities and by introducing the multilevel system of higher education – specialist, bachelor, master and doctor. For the time being Higher Education Law in force in Bulgaria regulates these questions correctly, but we can also suggest allowing of *wider specialization at the bachelor's level and revision of the existing connection between the doctor's degree and those before it*.

The second factor that restricts competition is the information imperfections at the education market, expressed by incomplete information in students about the quality of teaching and learning. As the education quality cannot be easily observed, deregulated universities can use informational asymmetry to behave opportunistically to the students and to extract more benefits for themselves. The result will be a deterioration of the education quality. This problem can find solution in the reputation effect, but this effect doesn't improve the competitive structure at the education market. Actually this effect gives priority to the established universities and raises barriers for the access to the education market for new institutions causing in that way further restriction of competition on it. As a result the quality – price ratio of the educational services of the established universities can get worse and worse. Although the reputation effect is not an absolute barrier for the new entrants at the education market, which has been proved by the success of our four non-government universities, under its influence education market will react in a very incompetent manner even if education is completely deregulated.

For example, new entries in an already occupied education niche will be possible only if newly found institutions offer lower tuition fees. Thus they will attract students with higher price elasticity of demand, while the traditional institutions will attract those whose demand is price inelastic and who would endure higher fees. At such segmentation the competition and the development of new universities will not reduce, but in the opposite - the tuition fees imposed by established institutions will get higher.

Since deregulation can lead to a positive outcome only if information imperfections of education market are overcome, and reputation effect cannot completely solve this problem, the government should be engaged actively in the control of the higher education quality. Possible instruments for this are the procedures of *licensing and accreditation* of educational institutions and their programs, as well as *direct public provision of all relevant information about study plans and programs, quality, costs and expected future benefits from education*. Considerable experience in the accreditation of higher education institutions has been accumulated in our country for the past five years. Especially valuable was the progress made after 1999 when new criteria had been included. Now the indicators for education quality - degree of academic freedoms and institution missions - have significant weight, together with the quantitative indicators for the resources used in education. As a result there is an increase in requirements and this can be proved by the reduction of accreditation marks received after 1999: whereas before that year National Agency had adjudicated seventeen very good and only four good marks, after 1999 the number of very good grades was only two, goods were fourteen, four universities got a "satisfactory" and one accreditation was rejected. If we can make some suggestions for the future, they can be the following:

First, to keep the now functioning criteria for evaluation of higher education institutions and their programs without significant changes. This will allow using the assessments as a basis for *development of institutional ranking*. Thus it will be possible to compare the progress of different universities and to follow their advance.

Second, besides this general ranking it will be useful to build some *specific rankings that will give more detailed information about the university status in different fields*. These fields could be: education quality and scientific researches in the university; the condition of technical basis and other facilities; average costs of study and what part of them is covered by the students; opportunities for tuition-support and student loans, average income and probability of finding job in a given period after graduation and s. o.

Third, accreditation assessments in the future should be applied as a main factor in the allocation of public subsidy among educational institutions. But as long as the evaluation criteria are not common and the market environment is not competitive, the assessment is not a sign of actual public needs for given education and *the allocation of public subsidy should follow in a very limited manner results from accreditation*.

Four, accreditation procedures can be used by the government as a basic instrument for *defense of our education market from unloyal foreign competition* and for avoiding dependence from foreign educational resources, standardization of education, profit as a primary goal of teaching and lose of national cultural identity and sovereignty.¹⁹ Therefore the opening of our educational market to foreign competition is necessary and inevitable, but in the name of diversity, national values, cultural identity and national sovereignty it must be done gradually and controlled by the government. Two strategies can be of use in this relation. The first one is to permit foreign educational institutions enter our market but bind them with requirements for adapting their programs to the Bulgarian realities, cultural traditions, public needs and language. The second one is to allow the foreign entries but only within the frame of cooperation with our national institutions. The first strategy describes the practice in Egypt and Malaysia, while the second one is common practice for the European countries. Taking into account our European orientation, maybe the second strategy is more desirable at present.

Fifth, the extreme importance of quality assurance and specific conditions of transition, in which the past reputation of higher education institutions is doubtful and the National Agency for Accreditation and Assessment is yet to build its own reputation, the use of *additional instruments for maintaining the quality of education* should be imposed. The Danish practice of external examination panels is an useful experience in this respect. The tasks of external examiners, who must supervise at least one-quarter of the examinations in the universities, are designed to guarantee equal and fair treatment of students, control the implementation of national standards and advise higher education institutions on the questions of their program quality. This practice is so helpful for the quality of education that many institutions in Denmark use even more external examiners than required. They also get additional benefits from the opportunity to exchange information about the quality of teaching and compare the achievements with the best standards in the field.

Analyzing the ways of increasing the competitiveness of the Bulgarian education system in the era of globalization, government policy should not be limited only to steady deregulation, creation of competitive environment, quality insurance and provision of full and reliable information. The reaction of our universities to global challenges needs *more financial resources and significant investments* in new infrastructure, education technologies, motivation and qualification of academic staff and diversification of services provided to students. Furthermore, we must take under consideration that if the introduction of new education technologies in the developed countries reduces costs, in Bulgaria it won't be this way.

¹⁹ Experience of countries like Malaysia, New Zealand, Japan and Belarus, which have allowed fast and uncontrolled liberalization of their educational sectors, as well as illegal functioning of some foreign institutions offering distance learning in our country are indicative of these dangers. (Lee, M. Corporatization and Privatization of Malaysian Higher Education. Boston College, CIHE, International Higher Education, 1998, Winter.)

Quite the opposite, the expensive telecommunication services and heavy taxes make the introduction of modern technologies in our higher education even more costly than in the developed countries.

Therefore the role of the government in financing the educational expenditures is unquestionable and *engagement of more public funds* for that has its strong reasons. First, such investments are crucial for the country's competitiveness and are very important in the process of developing public values and morals. Second, they can resist to the danger of exclusion of disadvantaged groups from education and its insufficient supply in economically backward regions in which family incomes are lower and unemployment is higher. And third, government investments in education will permit the existence of various unique institutions producing educational services unattractive for the market, but useful for society. The attempt in some countries, like New Zealand, to rely only on market forces, was unsuccessful²⁰ and it also confirms all these advantages of government involvement in financing higher education.

However, proposing more government subsidies for higher education, we have in mind only absolute, not relative increase. That means that *students and families should raise their contributions* for the covering of education expenditures, till their share reaches 40 %, which is the average percent of student contribution in the developed countries. Higher tuition fees are not only an argument for the synchronization of the Bulgarian education system with that of the leading countries.

First, generous relative public subsidies are *injust transfer of incomes from current taxpayers to the future high-income groups*.²¹ Thus instead of a source of diminishing inequality, which is the popular opinion, subsidies are becoming a cause for greater inequality and injustice.

Second, tuition fees are a mechanism that is able to determine successfully *whether decision to study is not a result of moral hazard*. They stimulate greater efforts and force students to insist on increasing the quality of educational services. All these create favorable conditions for competition between higher education institutions and result in raising quality and keeping lower prices of their services.²²

Third, a positive effect from higher tuition fees is that such tuition fees can serve as a good *screening devise and filter for those students who don't have necessary abilities*. They still keep effective investments in education of able and talented students, but at the same time they make ineffective investments in less able students and limit their demand for education.

²⁰ Tertiary Education in New Zealand: Policy Directions for the 21st Century. New Zealand Ministry of Education, White Paper, 1. Oct. 2000, <http://www.minedu.govt.nz/Tertiary/Review/wp/chap>

²¹ Oosterbeek, H. An Economic Analysis of Student Financial Aid Schemes. - European Journal of Education, 1998, 33 (1), 21-29.

²² Key Topics in Education, Volume I: Financial Support for Students in Higher Education in Europe. Eurydice, Trends and Debates, European Commission. Brussels, 1999.

Fourth, as for the danger of restricted access, on the one hand, inelastic reaction of demand to the increases in fees in our country makes very reliable the forecast that *further increases in fees still will have no effect on decisions to study*, and on the other hand, expected exclusion of less able students can be compensated for by already commented introduction of *student loans schemes with income-contingent repayments* and partial deregulation of tuition fees. That gives chance for attracting students of limited income through *high tuition – high aid discrimination strategies*.

Finally, shifting a greater part to contributions on students is justified also because *it is impossible for the government to spend more resources* as well as to meet higher requirements and raise demand for education. Having limited resources today even the wealthiest countries cannot afford to fully finance the increasing demand for higher education. The only solution then is in the shifting of the financial burden to those, who receive directly the benefits, and in the *construction of pluralistic mechanisms for financing higher education* from different sources. Such pluralistic financing must accumulate the investments needed and must guarantee mass education, fully corresponding to the increasing requirements for the quality of modern labor force, and equal access for everyone, who covers the academic standards for enrollment.

The tendency of pluralistic financing by the government, municipalities, student, nongovernmental organizations and business, which removes the differences between public and private education, is clearly observable in all country-leaders in the process of globalization. Thus today private universities in USA select their applicants primarily on the basis of their abilities and after that they use schemes for financial assistance, which allow everyone to study no matter how many he or she can pay. At the same time over 40% of the incomes of public universities in USA come from students' fees.²³ Besides, public funds are channeled only according to the public interest toward different educational institutions and property rights are not important at all. As a result differences between public and private universities are vague and the two forms of ownership are in completely equal positions in their strong competition for private and public funds.

Such *equality in financing of educational institutions* is very important for the increase of the effectiveness and competitiveness of Bulgarian universities. Till now the channeling of subsidies only to public universities has predetermined students' choices and created unfavorable conditions for nongovernmental universities. The big majority of able students prefer to go to public institutions and that destroys the signaling function of nongovernment university diplomas, undervalues their social roles as producers of education, and limits the growth of higher education sector. As a result the nongovernment segment of our higher education is one of the less developed and slowly emerging, in comparison with

²³ Higher Education: Meeting Challenges of the Future. New Jersey, Commission on Higher Education, 2000, October.

other countries in transition. According to the Bulgarian National Institute of Statistics, the number of enrolled students in the private segment of our higher education for the last five years has increased by 12.9%, while in Hungary, Poland, Romania and the Czech Republic this percent is 60% per year.²⁴ This real discrimination of our nongovernment education doesn't allow normal functioning even of public universities. It gives them very limited resources and very little incentives for increasing the quality of their products. In this connection immediate reforms and allocation of public subsidies in competition between all educational institutions, no matter whose property the university is, but based on final results and their value for the society, are of paramount importance.

As a part of these reforms our government ought to set up *new mechanisms of financing*. The performance and the results of introduction of such mechanisms in the developed countries are encouraging. Good examples here are the determination of public subsidies according to the formula (Holland, Denmark, Great Britain); taximeter system, that binds financing with the number of students successfully passed their exams at the end of the year (Denmark); covering of the education expenditures only for limited time period (Holland); income-contingent reimbursement of education expenditures (Australia, Holland, Sweden); support of the students from various sources (Hungary); tax relief for education expenditures (USA).²⁵ Such measures lead to a considerable growth in competition and increase the effectiveness of the higher education sector.

The introduction of similar steps in the specific Bulgarian situation will have as an additional advantage *the education of more university graduates using the limited public resources*. Now the government compensates the lack of resources and its too big comparative financial involvement by strong restrictions of enrollment in public universities. The argument being the negative demographic processes. It's true that such processes exist, but the demand for higher education in the knowledge-based economy increases significantly and necessitates greater enrolment rates. A clear example of this in our country is the higher education of nautical specialists. At this point the Naval Academy "Nikola Vaptsarov" is one of the world leaders in maritime education. It uses expensive facilities and has high quality academic staff; it offers worldwide valuable training and the quality of its product guarantees secure employment for its graduates as well as incomes between 1000 and 6000 dollars per month. The optimum size of enrollment is around 250 students and in comparison with other Bulgarian universities investments in maritime education provided by the Naval Academy have the highest rate of return. In addition, there is a big shortage of around 40 000 commanding officers. It is strange that in spite of all this, the allowed enrollment is

²⁴ Giesecke, H. Expansion and Development of Higher Education in East Central Europe. International Higher Education 16, 1999, Summer: 2.

²⁵ Education Policy Analysis. OECD, Center for Educational Research and Innovation, Paris, 1998.

under 100 students per year. Unfortunately, such paradoxes are not isolated examples and the proof is the gross coefficient of enrolment in our higher education institutions, whose level is far beyond those of the leading countries.²⁶ For instance in 1996 this coefficient in Bulgaria was 41.2%, while in Canada it was 87.8%, in USA - 80.9%, in Finland - 74.1%, in Norway - 62.0%, and in France - 51%.²⁷

Under the conditions of growing demand for education, limited resources in the hands of government and students, deregulation, demonopolization, pluralistic financing and setting up conditions for educational institutions similar to business lead to the next step – *privatization of public higher education and stimulating the participation and involvement of the private sector*. The transformation of part of the higher education from social into a business activity, that supplies educational services and provides profit opportunities, will increase the competition and will make possible the involvement of private business and investments. The experience of the developed countries, in which over 25% of the expenditures for higher education are covered by the private sector, is positive and should be applied in our country. This proposition is strongly supported in particular by the progress of higher education reforms in Chili, where privatization and construction of working pluralistic educational system have as their results the diversification of education plans and programs, introduction of modern and efficient methods of teaching and management, greater flexibility and correspondence with labor market needs, increase of enrollment and its gross coefficient, stimulation of searching for new methods and forms of financing.²⁸

However, before carrying out the privatization we need to achieve an essential level of competition on the education market and ensure the quality of educational services provided by nongovernment universities. Even after the privatization *the government must retain its essential role in determining the goals of education, financial assistance of their achievement and quality assurance of educational results*. Only in this way it is possible to coordinate the aspiration of educational institutions for short-run effectiveness with long-run social interest. For that reason privatization must be treated not as an alternative way to higher education financing, but as an alternative organizational structure. Furthermore, it ought to be implemented very carefully and with formulas, that follow the more evolutionary reforms in European Union, than the more radical changes in Chili.²⁹ An example of such gradual reform is Sweden. After 1991 the Swedish legislation offered the status of “foundation” to all universities. According to this status universities signed a fifteen year contract with the government – the government

²⁶ Gross coefficient of enrolment is calculated in percents as proportion of number of students to number of people in the age group officially related to the given educational level.

²⁷ <http://unesco.stat.unesco.org/en/stats/stats0.htm>

²⁸ Donahue, J. *The Privatization Decision: Public Ends, Private Means*. New York, Basic Books, Inc., 1989.

²⁹ Higher Education in Europe Moves away from State Control. *Chronicle of Higher Education*, 7 November, 1997, A41.

determined their goal, but in exchange, the universities received financial support and absolute freedom in the operational management of their activities. France (since 1984) and Denmark (since 1994) have also introduced financial and institutional autonomy. In these countries the traditional one-year public subsidy now has been substituted by four-year contracts in which universities' primary obligations are to accept and follow the government standards for quality of education.

The positive results of these reforms and common features of our education system with those of Sweden, Denmark and France from the period before their reengineering, are strong arguments for us to choose their more gradual way in deregulation, decentralization and privatization of education. This approach is preferable for three more reasons. The first one is: fears that privatization will cause *greater inequality in the opportunities for education, additional restrictions on social mobility and stronger social stratification*.³⁰ Although these fears have been not empirically proved in the countries with experience in privatization, they should be taken into account. Therefore the best strategy for our reforms, that guarantee the necessary balance between efficiency and social justice, is the parallel existence of public and private forms of property. Similar coexistence of these two forms and their equal legal treatment with regard to quality assurance is necessary because of the second fear – about the *quality of the education product* and the possibility that the pursuit for greater short-run efficiency will be compensated for by inferior quality. Some evidence of this trend can be found in the surveys of other transition countries. According to them two-thirds of 69 private higher education institutions in Poland and Hungary provide low-quality services, and in Romania only 36 from existing 250 private institutions have received accreditation at least for one of its programs.³¹ And last but not least, *private higher education establishments are less interested in those scientific fields, which are important for the society, but due to the high costs or lower demand have little or negative rate of return*. Examples of that are the humanities, medicine, pharmacy, arts and culture. The determination of private institutions to enter these fields, as well as to develop their activities in backward regions of the country is insufficient and this can be changed only with government subsidies. If such subsidies are also insufficient, then public educational institutions should fill in the gap, and in this case they must *be financed more generously*, otherwise they will need *monopoly power* in some fields important for the society and highly demanded by society (for example law). As all these solutions are obstacles for the competition on the education market, *equal financial treatment of public and nongovernment universities is preferable*.

³⁰ Whitty, G. Creating Quasi-Markets in Education. - In: Apple, M. Review of Research in Education. Washington, DC, American Educational Research Association, 1997, Vol. 22, p. 58.

³¹ Bollag, B. Private Colleges Reshape Higher Education in Eastern Europe and Former Soviet States. Chronicle of Higher Education, 11 June 1999, A44.

Indeed the problem in our country is that even if all propositions for wide privatization are put into practice, this will not raise as many funds as necessary for an adequate response to the challenges of globalization. Low family incomes and high political susceptibility don't allow significant increase in tuition fees. Public funds are also very limited and this makes unrealistic any large increase in budget expenditures on education. The private sector is too weak and for the present its benefits from cooperation with educational institutions could hardly be seen. Finally accumulation of finance by selling and patenting the results of scientific researches are useful but completely insufficient, because even where they are highly developed – in "MIT" and "Caltech", they are only 2-3% of expenditures on research projects.

In this environment the place of our higher education institutions in the global processes remains very problematic. Our national education market is too small to give up resources needed for the restructuring of the sector and its preparation for the global competition. That's why the reforms in government policy in the field of education should be supplemented by *many efforts on behalf of our higher education establishments*. These efforts have to be directed to improvement of education quality and research work, students and faculties' motivation, search for external financial sources, realization of joint programs with top foreign educational institutions, academic mobility, and cooperation with private business and world leaders in the field of new technologies.

In conclusion

The conclusion for each educational institution from the development of globalization can be only one: the global competition for talented students, educational resources and recognition of quality of educational product is irreversible and unavoidable. If it wants to receive its share of benefits from globalization, it has to have market-oriented behavior and follow technological, administrative and managerial steps to improve the access to its educational resources, introduce new models of learning, increase the productivity and quality of supplied product, and control the costs.

It is also obvious that globalization poses new and more comprehensive requirements to the national policy in the field of higher education management. Deregulation, decentralization, privatization and development of market mechanisms are crucial elements for desired achievement of higher quality, efficiency and competitiveness. Along with this the government policy should take under consideration the limited possibilities of market forces in the implementation of social goals of education. Thus it can regulate education market in a way that doesn't contradict the market values and at the same time it has to modify and effect market forces in such a way that allows the higher education system to be both effective and open to the social interests.

Thereby the increased marketization of higher education doesn't eliminate the role of the state, just the opposite – it grows together with the government role

and national education policy. Nowadays governments are among the major players on the education markets. They set the social ends of education, support students and educational institutions by providing them with financial resources and infrastructures, and control the quality of the educational product. At the same time, however, globalization increases the requirements imposed before government regulation. It has to be based on the market logics and stimulate freedom and efficiency of market mechanisms. In our country this means that in the future, first, public subsidy ought to be allocated to educational institutions on competitive basis, irrespective of their property; second, the government must set social goals to educational institutions and to control the quality of their final product, and third, universities ought to possess all the freedom, needed to determine the means of achievement of their missions.

The reduction of government responsibilities in the operational management of educational institutions increases the responsibilities of universities. In the era of globalization it is exactly their task to keep the spirit of cultural and intellectual centers, to socialize students and help their social mobility, give equal opportunity for learning to everyone, who possesses the required abilities. The implementation of these tasks very important to the society should be the most important measure for the level of public support directed to the educational institutions. Due to globalization market logics spread all over and if the educational institutions want financial support from society, they must compete for prove steadily and aggressively social benefits from their activities.

Finally, we want to emphasize again that in spite of our confidence in all these conclusions and suggestions, their practical acceptance should take into consideration many different aspects of globalization, which were not covered by our analysis. Our aim was to bring out only some ideas and appropriate approaches and provoke a discussion in which this as well as other ideas will receive the opportunity to be more widely presented and defended. The topical importance of the issues posed by globalization deserves such a profound discussion, as the first step to the right decisions. So, if we have succeeded in doing so, then part of our adaptation to the realities of globalization will be behind us.

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