

## **THE DEVELOPMENT OF A NEW LEGAL FRAMEWORK FOR HIGHER EDUCATION IN THE SLOVAK REPUBLIC**

In May 1995 I was privileged to attend an OECD/IMHE workshop in Bratislava, in the Slovak Republic. The topic of the workshop was the principles upon which a law of higher education could be based, and the workshop was attended by a range of academics from Slovak universities, as well as representatives of the Ministries of Education, Finance and Social Security. The papers presented are published as *Funding Higher Education in the Slovak Republic: Basic Principles*.

In addition to these, a range of foreign "experts" were present, from a range of European countries: Norway, the Netherlands, Germany, England, Scotland, Hungary and the Czech Republic. I put the word "experts" in quotation marks, not out of any lack of respect for those individuals, but to serve only as a reminder that it is extremely difficult to transfer such expertise from one national system to another. All of the countries represented among the participants have seen, over the last five to ten years, a move towards formula funding systems based on output measures.

At one level, then, the agenda of the meeting was that Slovaks would set out the position in which their higher education system is at the moment. The foreign guests would then extol the virtues of output funding of higher education, on the basis that everybody can see the virtues of the system they are familiar with. The Slovaks would be moved to "modernise" their system, in the direction of becoming a responsive, market system.

The actual events of the workshop were both more interesting and more complex than that, however, and illustrated a number of lessons of comparative study, which although frequently described, can with advantage be repeated yet again. The first of these is how resilient traditional ways of viewing educational systems are, when confronted with change. Even where the official ideology of a state has undergone radical change, as it has in most of Eastern and Central Europe, elements of the previous mode of analysis persist, either as contradictory elements in policy, or as unquestioned foundations upon which policy is built. The other lesson is that there is not a world-wide, or even a Europe-Wide trend toward educational markets. In each country the changes which can be described in those broad terms are subject to a local, nation specific political process, and the outcome will be modified by that process. Quite apart from anything else, this makes it impossible to see the end of the workshop as the end of the story. The ultimate goal was to be a new fundamental law of higher education for the Slovak Republic, but the eventual shape that takes will depend upon more than the deliberations of a few international "experts". Indeed, the political process, which was partially revealed in the workshop, is the hardest thing for the outsider to form accurate judgements on, and in the end will be decisive in framing the eventual law.

What I will do here is set out some of the main themes of the discussion, the selection of input or output funding for higher education, the attitude towards market forces in funding higher education, and the attitude towards private institutions, all of which will prove important in the framing of the eventual fundamental law on higher education. This will leave the way open for two possible future developments; the examination of the eventual law against these themes and against the framework set out here, and a comparative study looking at the way similar issues find expression in different countries, e. g. the Slovak Republic and the Ukraine

### **Input Funding or Output Funding**

With the growth in the use of funding formulae in the allocation of resources to higher education which has taken place over the last fifty years, two distinct approaches have developed. These are based upon the funding of inputs and the funding of outputs respectively.

Input funding, which has been more typical of the funding regimes in the United States, is based upon a notion of cost effectiveness. A goal is set; this might be a level of recruitment, participation rates in specific courses or whatever. Decisions are made about inputs which are necessary in order to meet that goal; staffing rations, salary levels, maintenance costs on buildings, and so on. Finally resources are allocated on the basis of (although not necessarily equal to) the level of funding deemed appropriate to achieve the system goals.

In contrast with that, output funding on a notion of cost efficiency. This model has been increasingly used in Europe over the past two decades. Again, goals are set, but resources are allocated directly upon the basis of the success of institutions against those targets. Indicators of output may include recruitment levels, research outputs, graduation rates, grade levels and so on.

The difference between these approaches is, of course, identifiable in the different variables used in allocation formulae. But in education the distinction between input and output may not be as clear-cut as in manufacturing industry. Process indicators, such as student numbers, may appear as a variable in either input funding or output funding, and there is some difficulty as to how such measures should be treated. I do not want to become bogged down in those technicalities here. The point I want to stress is that, in spite the use of some similar indicators, input and output funding models are based upon fundamentally different rationales or intents. In output funding, the funding agency is only interested in whether the output indicators are satisfactory, and whether the institutions are responding appropriately to the funding stimuli in terms of outputs. The internal allocation of resources, and what happens to the money provided, beyond normal standards of public accountability, are of no consequence to the funding body. Output funding is the funding of the marketplace; if the price tag attached to specific outputs is agreeable to both sellers and buyers, everybody is happy.

Input funding, on the other hand, is the funding of public service. Guardians of the public purse are concerned that funds should be spent upon those inputs which are necessary to providing a service which meets the public good. The funding agency is not only interested in the products of the educational process, but also in the process itself.

It is, of course, ironic that input funding should be so well established in the United States, which one tends to associate more strongly with the market philosophy. However, the USA does have a very long tradition of public service intervention in the provision of higher education, and even in the USA one can see an increase in the use of output models or output elements in funding models.

In contrast, educational systems in Central and Eastern Europe have been based very firmly upon an input model of funding. There are two reasons for this which are not entirely disconnected. In the first place, in the totally planned economy, it was the responsibility of the state to allocate resources, all resources, to the appropriate areas of economic activity. Having set goals for education, related to other social and economic needs, it was the responsibility of the state to provide appropriate resources to meet those goals. Nor was this simply a question of allocating funds; qualitatively different resources - people, capital equipment, energy - had to be allocated in a way which was cost effective for society. Total economic planning rests upon a bedrock assumption that necessary inputs can be provided so that desirable goals can be achieved.

The second element of the dependence upon input models is that education was not, for the most part, viewed as investment, but as consumption. Education was to grow as and when society could afford resources to be released from other sectors of the economy. This approach even goes a step beyond the philosophy of input funding found in the West, where resources are allocated in relation to goals. In Eastern and Central Europe resources were allocated as they could be afforded, and the resources defined which goals were achievable.

One would therefore anticipate that the introduction of the market philosophy into the countries of Eastern and Central Europe would involve some very radical changes in thinking about the funding of higher education. One might also expect that such changes in thinking would not be achieved simply; ways of thinking are rather harder to change than governments. Particularly in the Slovak Republic, where the government has been more conservative, and less willing than other governments in the region to reject the acknowledged benefits of their communist tradition, one might expect to see attempts to reconcile contradictory elements within a single scheme of funding.

### **Input and Output Funding in the Slovak Republic**

The essential difference between input and output funding is that output funding is supposed to provide incentives to move systems towards specified goals. With input funding goals are set, and policy steer provided, by other means; funding formulae in this context are about providing equitable resources for moves which are taking place anyway. In the context of output funding, funding formulae are used to provide policy steer.

In the Slovak Republic central policy steer has been provided from the various ministries involved, and resources allocated accordingly. Many of these attitudes persist, so that in May 1995 it still makes some sense to talk of a system which is "fully funded" by the Ministry of Finance.

However, overall economic conditions intervene, through inflation, and through stagnation in public sector salaries, to ensure that most casual observers would regard the system as severely under-funded. University staff are obliged to supplement their salaries through part-time employment in other fields, and the real value of investment in equipment and maintenance of buildings has dropped dramatically. All parties to discussions agree that there would be considerable advantage to diversifying the sources of funding for higher education. Organising conferences, undertaking research, and participation in collaboration with foreign or international agencies are some of the possibilities which have been exploited in other countries.

There is a fundamental divergence of opinion as to how such additional sources of income should be regarded, with the academic staff in universities arguing that such additional income, or a substantial proportion of it, should remain with the institutions that generate it. Without such arrangements, they argue, there is no incentive for any institution to become involved in such activities.

In contrast with this position, and with equal justice, the Ministry of Finance argues that, in a fully funded system, money raised by such activities should revert direct to the central government, in order to reduce the overall tax burden. After all, if the bill for all justifiable input costs are being met by the central funding agency, for what else could money possibly be needed?

The direct practical conflict between the institutions and the central agencies can thus be seen to derive from the different conceptions of how the funding system does and should operate. Institutions view the funding system as being based upon an output model, and therefore expect incentives, while the agencies view the system as functioning on an input model, and hence see incentives as irrelevant.

It would be an oversimplification to suggest that each party to the discussions was entirely consistent on the question of whether an input or output model was appropriate. On the funding of teaching salaries, those working in the institutions tended to argue that the central funding agency should underwrite specific guarantees as to salary level (i. e. should fund this specific input fully), while the central funding agencies argued that institutions should seek efficiency gains in order to maintain competitive salaries (i. e. that an output funding model should apply).

One would expect, in the Slovak Republic after 1990, that there would be an ideological shift away from a totally planned economy, and towards a market model. By implication, one would expect, as one sees in most of Western Europe, in circumstances which are shifting in a similar direction but less violently, to see a move away from input funding towards output funding and the allocation of incentives. In practice, as has been noted above, the ideological shift has not been uniform, and at various points in the discussion, different participants lapse into styles of argument which are more appropriate to the old regime.

There are a number of possible explanations of this phenomenon. It could be that there is simply an inertial effect, by which people lapse, from time to time, into modes of thinking which they would explicitly reject. An alternative view is that attitudes are being actively renewed, by a process of selection of what is in the best interests of parties to the discussion. I think there is not an absolute need to decide between such accounts. As R. Boudon (1986) argues, "When traditions are accepted by the actor, it is generally because he or she sees them as meaningful, adaptively effective and in a word *rational* in the widest sense of the term." Thus, an individual or group may feel the need to examine premises which act against their self interest, while premises which operate in a contrary direction might survive longer unexamined. This is natural in any process of reform, and not in any way reprehensible. What emerges at this moment is a fairly high level of confusion over what should be the framework of analysis of a major area of national policy, with participants to the debate finding it easier to move their position when stimulated by self (or group) interest.

### **The Economic Function of Higher Education**

In the summary to the previous section, perhaps "confusion" is the wrong term, in that it carries a pejorative overtone. Slovakia, like many other countries, has been through a radical shift in the dominant ideology, from a Marxist analysis to one based upon a free market ideology. Individuals may have through the way this change affects them in certain areas, without necessarily having considered the implications for other beliefs or ways of thinking. I am reminded of an observation I made in Prague Castle in 1992. My attention was taken by a notice which announced to visitors that this was the room, indeed the window, which had featured in the famous "defenestration of Prague". I looked around for more information, and in particular, steeped as I am in Western European notions of history, information about who had been thrown out of the window and why. What I found was an account of the economic history of the period, and of the conflict which necessarily arose from the competition for the means of production in society.

The labels in the museum reflected an ideology which had been rejected at an explicit level. This is not a complaint; a society in the midst of economic upheaval obviously has more important things to worry about than the labelling of exhibits in museums. The result, however, is a loss of consensus. Individuals may be applying analyses which they would explicitly reject to areas which are not central to their concerns, while different individuals will have reached different stages in the transformation of ideology.

The analysis of upper and lower valuations made by Myrdal (1964) may be useful here. People's upper valuations, their explicit and coherent beliefs, may be relatively easy to change, but their lower valuations, the implicit values which inform their actions at a practical level, are much more resistant to change. The result is an apparent contradiction between what people say and what they do.

Nowhere was this clearer than in the macro analysis of the position of higher education in the economy that was offered to us by ministry representatives. In Western Europe and North America, and in the international organisations which have been influenced by them, there has been a view that education is a form of investment for the future and for future development. This has found various different forms of expression, from the World Bank granting

investment loans for education projects, to discussing education in terms of "human resource development". In contrast with this, Warsaw Pact countries were distinguished by the view that education was primarily consumption, with could be provided as and when could afford it. Now, in the Slovak Republic, the rhetoric of education for investment has been adopted, but the older way of thinking persists, even in the official statements.

What is clear from a brief observation of discussions in the Slovak Republic is that reform of institutions of higher education cannot be isolated from reforms in the broader economy as a whole. At the same time, reforms of areas of tax law are less interesting, and have less immediate impact on the public, than, say, the expansion of higher education opportunities. It is not difficult to understand that the transformation of higher education, which all of the Slovaks involved seem keen to achieve, is not going to be a simple matter, or even a quick one.

Another aspect of the reform of higher education which indicates some of the complexity, and interconnectedness, of the issues is the question of research institutes. The government funds a great deal of research institutes which have, for the most part, been more protected from the exigencies of the present economic situation than have the universities. This obviously produces some resentment in the university sector, which sees itself being subjected to economic disciplines which do not apply equally to all. There would appear to be some justice in that view. However, even where teaching and research occur in the same institution, as they do for the most part in the UK, it is no simple matter to arrange a funding mechanism which balances the different activities to the satisfaction of all involved.

### **Private Higher Education**

In other contexts, private higher education has been seen as a solution to some of the difficulties of change which face countries such as the Slovak Republic. In the UK, the removal of the former polytechnics from local government control and their establishment as independent corporations was a step in that direction. In Japan, expansion in the 1970s and 1980s was accommodated mostly in private institutions. The Ukraine has seen a massive expansion in the private sector, in a virtually *laissez faire* private education market.

I think it will not be any surprise that the Slovak Republic is not ready for any such total liberalisation of the higher education market. The remnants of traditional ways of thinking about state control, and traditional views on roughly how many universities are needed, mean that Slovakia is unlikely to follow along such a *laissez faire* path. It also has to be said that the observers from Western Europe, with their concerns about quality in a free higher education market, were in unanimous agreement with the view that was taken about private higher education institutions.

### **Conclusion**

Developments in the Slovak Republic have to be seen in the context of a general government line which is much more conservative than in many of her neighbours. The government has a commitment to central state planning, and to state intervention in higher education, which is likely to persist for a long time into the future.

I think it has to be said here this is not a criticism; actual state involvement in higher education, as opposed to the rhetoric of the market, is universal in industrialised countries. Future developments in the Slovak Republic might be helped by the fact that she is trying to approach the practice of Western Europe rather than the theory.

At the same time, the ideological picture which emerges is highly complex, and not a little confusing. Above all, the government appears to retain a moral commitment to guaranteeing the well-being of all citizens, without having the economic wherewithal to do so. Thus the establishment of non-profit organisations in education is (wrongly) viewed as an admission of

government failure, while the present level of resourcing of higher education will inevitably lead to more dramatic failures in the medium term future.

The workshop in Bratislava in May was an interesting experience because it offered a brief window upon the debates which are going on in the Slovak Republic. A government which recognises the difficulties which the higher education system faces, and which has the will to apply corrective measures, set out to establish the basic principles which would underpin a new national, legal framework for the system.

In the debate which took place, there seemed to be some changes in attitude, not least among government officials. Whether such changes continue, and find expression in the new law, remains to be seen.

In the longer term, because I do not believe that the difficulties can be solved "at a stroke" in a single piece of legislation, I think the direction of higher education in the Slovak Republic can be predicted with greater certainty. There will be changes in the law which make it possible for universities to generate, and retain, a larger proportion of their own income. There will be measures, either through fees or otherwise, to increase private investment in higher education. And there will be greater economic stability within institutions, with salary levels restored and investment improved.

There will also be a change in the funding of research, which will mean that the universities and research institutes meet on a more level playing field.

At the same time, there will continue to be a high level of central government intervention, particularly to ensure standards and equity.

All of these Changes will take place because, a) they represent an opening up of the economic system along the overall lines intended by the government, and b) because they will bring practice more into line with that which is common in Western Europe. What is much less certain is how long it will take to achieve the necessary reforms. This is unfortunate, because the longer it takes, the greater is likely to be the discomfort felt by staff and students alike.

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