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EDUCATION

The Private Learning Curve

Krzysztof Pawłowski, head of one Poland's most prestigious private colleges, discusses the plight of the non-public school sector.

A powerful new competitor to traditional industries has been growing while the world's eyes have been turned towards the changes taking place in the capitalist world economy, globalization and the information technology revolution. It is education. Many analyses show the education sector to be highly profitable.

Americans spend \$635 billion a year on education. That includes private individuals' money as well as funds from state budgets, foundations, and companies. The spending on education exceeds that on defense or health care. What's more, it is estimated that in the next 10 years education expenditure will increase by 40 percent.

Companies and personnel in the United States spend \$14-15 billion a year alone on managerial training, so-called executive education. The services in this market grow by 25 percent per year. The figures on world employment are clear: since the 1970s employment in traditional industries has fallen. Fortunately job opportunities in services industries are rapidly increasing.

Most large investors know this and are creating closed-end investment funds for education. It is easy to predict that education will develop particularly fast in countries which had normal development mechanisms blocked in the past. One example is Poland, with its huge increase in the number of students in the 1990s. So it is not surprising that there are already closed-end funds for investing in central Europe.

Looking back on the capital I had while creating the Wyższa Szkoła Biznesu/National Louis University in Nowy Sącz in 1991-just \$2,000-I was slightly shocked when recently a representative of an investment fund asked me whether I could build a new education project. The fund would be willing to invest at least \$10 million, and preferably \$50 million. Business is business, so I won't reveal my answer, but I told the representative about some Polish legal regulations which might block such an investment.

According to Polish law, only primary and secondary schools can be private institutions (for example, aimed at earning a profit), while higher education institutions have to be non-profit. That applies even to schools founded by private individuals or companies. As a result, the notion of profit is alien to colleges, and money earned must be re-invested in the school's development. Of course, there are ways to get around that. For example, the buildings and equipment may remain the investor's private property, while the college they create pays rent-which may amount to the school's annual revenue.

The conclusion is obvious: Education will become one of the main sectors of the economy, and it will be one of the fastest growing industries in the 21st century. Furthermore, it is generally believed that the next century will bring about the development of knowledge-based sectors of the economy,

and there will be employment for "brain workers" (according to P. Drucker), that is, people with a university education able to come up with creative solutions to problems.

Who's studying where?

Poland entered the 1990s with a scandalously low number of students-just slightly over 400,000. At the same time, in Spain, which has a similar sized population, there were 1.5 million students in total. The Este region alone had 361,000 students. Madrid had 271,000. Only 7 percent of Poles had a university education, and 48 percent secondary education. In the European Union 20 percent had a university education and in the United States, more than 40 percent.

In 1998 the number of students in Poland exceeded 1.3 million, and statistically the country had caught up with the EU. However, that growth was mainly noted in non-traditional studies which are a true relic of the communist era. Foreigners may find it hard to understand how graduates get identical diplomas despite the fact that the curricula of the full-time and non-traditional studies may differ, and the number of taught classes for the latter may be three times lower.

The number of students has grown in both sectors. Those in state universities increased from 403,000 in 1990 to 860,000 in the 1997/98 academic year. In 1991, when the private sector was created it had 11 schools and 15,000 students. That grew to 150 colleges in 1992 and, in 1998, there were over 300,000 private-sector students.

Non-public schools were established throughout the country, both in the large traditional academic centers and in the small and medium-sized cities which had no colleges before. Sixty-seven were established in the nine biggest cities, including 33 in Warsaw, and 46 in smaller towns. The process of founding private universities is by no means complete, as the Ministry of Education is to evaluate on nearly 100 more applications. It is clear the success of the new colleges has drawn followers to the business.

As a rule, private universities receive state authorization to grant licentiates, similar to B.A. degrees, after three years of study. But in the academic year 1998/99 26 private universities already offered M.A. studies in 42 faculties. In 1998 as many as 28 colleges (including 10 in Warsaw) had more than 2,000 students, reaching, in my opinion, the limit of financial stability.

Which school to choose?

The evaluation of private universities is difficult due to the fact that many of them, especially the ones created over the last three years, have not achieved stabilization yet. Some of them still have only first- or first- and second-year students. That is why it would be best to analyze the admissions to the first year of studies in the period before the 1998/99 academic year.

According to Ministry of Education data for Oct. 1, 1998, in that year Polish universities accepted a total of 381,598 students. Of that, 123,968, or 32.5 percent went to private schools (excluding the Catholic University of Lublin, the Academy of Catholic Theology, Papal Academy of Theology and other theological academies). Of the students joining private schools, 28,150 (22.7 percent) attended full-time classes, while 95,818 (77.3 percent) studied in the non-traditional system.

Most private schools focus on economics and business studies programs. This is caused by the demand on the job market for these specializations and by the relatively low cost and little effort required to prepare the teaching infrastructure-it is enough to get lecture halls, classrooms and computer equipment. Creating such colleges does not require much initial capital.

It can be said that business education in Poland has already been taken over by private universities. In the 1997/98 academic year business studies and economics students at these establishments made

up 68 percent of all students studying these subjects, including 56 percent of full-time students. For freshmen, the relevant figures were 83 percent and 76 percent. So although private university students constitute only 25 percent of all students in Poland, they make up about 75 percent of business studies and economics students.

Teacher-training colleges are quite new in Poland, but they have quickly become the biggest sector among private schools. To start with they were responding to the needs of teachers who had to complement their education-graduates of state teaching colleges had to get regular university diplomas. Such schools were founded in central and northern Poland. In 1998, three of them admitted more than 3,000 students each, and the record holder, a college in Koszalin, had 5,600 new students.

Private universities are often accused of allowing the domination of non-traditional studies, as 75 percent of their students still follow this system. However, it is not colleges that decide-it is the education market and the living standards of an average family. These programs are much cheaper and leave time for the student to have a regular job. The vast majority of private university students come from poorer families, and are often the first child in the family to go to college. They usually graduate from weaker, provincial secondary schools and have little chance of getting accepted for free full-time studies at state universities. Most candidates apply to private schools after they fail to get a place in a state university. Only in the most prestigious private colleges do students whose first choice it was to go there dominate. It is a well-known fact that the curricula and level of non-traditional studies in nearly all universities, both state-run and private, differ from those in full-time studies. Bearing this all in mind, it is not surprising that 75 percent of candidates for private schools prefer the non-traditional system.

There are exceptions, but as a rule, private schools are preferred to state-run universities by people who are less well prepared for study, who have graduated from weaker secondary schools, and come from families with no tradition of investing in education. They usually come from cities without large academic centers, from working-class and farmers' families. It is a paradox that only the founding of private colleges opened the way to university education for people from economically weaker families, and the proportion of students coming from working-class and farmers' families is much higher there than at state universities.

The future

The future of the private higher education sector will be influenced by many factors. Demographic changes, the uncertainty of the legal situation, the exclusion of private universities from budget financing and the ability to win over or develop academic staff are a few of the most important. Poland's membership in the European Union may also become an important factor, as well as the global information technology revolution which may bring about changes in education methods worldwide.

The university education sector in Poland will be strongly influenced by demographic changes: The number of 19-year-olds is predicted to drop from 693,000 in 2002 to 528,000 in 2009, and to 460,000 or lower in 2013-2016. Not long ago demographers were expecting that last figure to be more than 500,000, as a result of the present demographic high tide.

In this situation, even assuming as much as 50 percent of secondary school leavers want higher education, the university system in Poland should perhaps be planned for 200,000 people beginning studies each year. In 1998 Polish colleges admitted 381,000 people, and it should be remembered that gradually the reserve from the past-the group of people who did not go to university after secondary school but now decide to do so due to the situation on the job market-will run dry.

The conclusions for demographic analyses are clear: The university education sector will face sharp

competition after 2005. Since state universities are financially safe due to regular state support, it can be stated that with the current legal regulations allowing for free full-time studies, the drop in the number of students after 2005 will affect mainly non-traditional studies in private schools. It can also be quite safely assumed that a large number of private colleges, especially those in large academic centers, have been created for a short lifespan, in order to "consume" the present demand for university education. These colleges do not invest in infrastructure and after market reserves are exhausted, they will be simply liquidated. This may hold true for 50-80 private colleges.

Other private educational establishments have a long-term development strategy. About 30 private universities are creating a strong material basis for their activities, as are a group of new colleges in small and medium-sized cities. They will be competing with each other and with state universities, trying to attract students with not only high quality education but also good conditions. That should lead to a general increase in the quality of educational products and to a lowering-or at least a leveling out-of the tuition.

It may be also expected that some of the best colleges, particularly business schools, will develop their managerial programs and start cooperating more closely with companies. This will give them a good position on the education market.


Survival of the fittest


The best of the private universities, or at least those with fluid bureaucracy, will be better able to adjust to changing technological and market conditions. At present it is difficult to estimate the future size of the private university sector, especially given the lack of information on the final shape of the new law on higher education. Still, it can be assumed that at least 30 private colleges not only will survive the oncoming changes but some of them may become leaders which define new standards in education and are able to compete on the EU market.

The Polish educational system will gradually-though not without pain-approach the American model, the one that works on the market, in which colleges have funds from many sources. This model has proved efficient and better than the state education model still dominant in the EU. It is enough to compare the numbers of Nobel prize winners working in American and European universities and to analyze the United States' economic development in the 1990s.

Krzysztof Pawłowski

Rector of Wyższa Szkoła Biznesu / National Louis University in Nowy Sącz

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