

Demand for Higher
Education
and Graduates
in Times
of Economic
Crisis

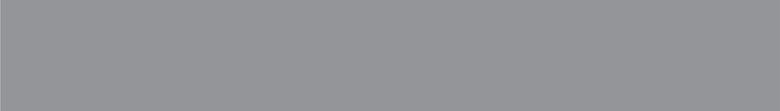
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DUŠAN LESJAK

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Demand for Higher Education and Graduates in Times of Economic Crisis



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Edited by Dr. Dušan Lesjak

Reviewers Dr. Nadja Damij and Dr. Vasja Vehovar

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Chapter One

Higher Education in Times of Economic Crisis

Dušan Lesjak, Vesna Skrbinjek, and Janez Šušteršič

Contemporary Challenges of European Higher Education

Mutual processes of globalisation, digitisation, computerisation and high-tech production have stimulated transformation of modern society into knowledge society or knowledge economy,¹ which, for higher education, was primarily understood as increase in societal demands and responsibilities to provide high quality education² (Valimaa 2009, p. 24). Globalisation processes and their dimensions,³ changes in higher education policies, demographic changes,

¹ In Europe, first beginnings of harmonisation of European higher education systems are linked to the Sorbonne (1998) and the Bologna Declaration (1999) by introducing the Bologna Process, so as to transform the European economy, simultaneously with the Lisbon Strategy (2000), into the most dynamic and competitive worldwide (Evropska komisija, 2005, p. 7). EHEA and the European Research Area (hereinafter referred to as the ERA) allow for greater comparability, compatibility and coherence of European higher education systems, which should successfully contribute to creation of global and European knowledge economy and provide a high level of employability and more sustainable economic growth.

² This covers: (a) generating new knowledge by supporting innovation, (b) enriching global knowledge base, (c) disseminating and transferring new knowledge to local environment, (d) contributing to creation and generation of human capital through quality education and training of workforce, and (e) ensuring foundations of democracy, social cohesion and empowerment of the nation (Valimaa, 2009, p. 24; The World Bank, 2002, p. 23).

³ Globalisation is changing operating circumstances of higher education, particularly by creating an international knowledge network, possible due to computerisation and Internet use, use of English (as the most important scientific language) and linking of various HEI (Higher Education Institution). Particularly characteristic is inclusion in international knowledge network, as is the case for the most excellent universities located in English-speaking countries as global academic centres, while peripheral HEI are shifted to background. In addition, by means of international exchange, flow of students from developing countries towards traditional academic centres is increasing, thus increasing brain drain from countries of economic periphery (Altbach, 2013, pp. x-xi).

constant growth of number of students enrolled, number and diversity of higher education institutions (HEIS), international orientation and development of global knowledge economies continue to constantly change HEI operating conditions, which results in complex and difficult to predict changes in higher education development, especially by including impact of the latest global economic crisis. Changes in higher education also relate to frameworks of HEI operation by emphasising the economic role; i.e. training highly educated workforce and transferring high quality knowledge within the globalised higher education market (Biesta 2011, p. 45; Woodhall, 2007).

Originally, in times of industrial society, European HEIS (mostly universities) played an important role in building the state and the nation in terms of teaching, building national consciousness and identity, connecting national elites and providing national research capacity for economic and social development (Olsen & Maassen, 2007, p. 5), whereas connection between higher education and economy was only established indirectly (Biesta, 2011, p. 45). In years after 1980, neoliberal ideas began to reflect in higher education⁴(Olssen, Codd, & O'Neill, 2004, p. 148). Introducing the concept of *managerialism* which ties closely with higher education marketisation process within the framework of neoliberal doctrine equals introduction of fundamental principles of private sector economics into higher education, market-based HEI management, promotion of competitiveness and thus creation of a global student, academic staff and globalised research market (De Zilwa, 2010, pp. 8–9).

Turning point in higher education development was marked by *massification* or continued expansion and growth of higher education systems, *diversification* in modern knowledge society, which influenced redefinition of higher education and tertiary education (Zgaga, 2004, pp. 11–12). Barnett (1997, p. 3), in late 1990s, named higher education 'the largest institution of modern society' that continues to grow and expand. Massification of higher education refers to increase in number and diversity of students enrolled in the most typical age

⁴ Neoliberalism as a political construct is defined by Olssen and Peters (2005, p. 313) as one of dimensions of globalisation, from point of which private benefits of education are considered more important than the social ones, which leads to withdrawal of public funding from higher education.

group (De Zilwa, 2010, p. 10), as well as increase in number and diversity of HEIS.⁵

Demand for higher education in early 21st century increased by both individuals and their families in order to recognise economic benefits, better employment conditions and social status resulting from higher education, and by governments; mainly for public (and private) benefits that enhance social, cultural and economic well-being of the country (Johnstone, 2004, p. 403), where demand for higher education was growing much faster than ability or willingness of governments to meet this challenge through public funding (Salmi & Hauptman, 2006, p. 3). High enrolment numbers not only affected the lack of funding for higher education even before the global economic crisis, but also had several consequences for higher education itself.

High enrolment number has many other consequences for higher education and its funding. Altbach (2013, p. x) and Sanyal and Martin (2009, p. 98) recognise the following impacts of continued growth of higher education systems on higher education development:

- Quality of higher education has on average decreased. Quality is supposed to decrease due to inclusion of a growing number of students, which in turn lowers the average level of academic skills. With lowering funds per student, study conditions are deteriorating.
- Increasing inequality appears in higher education in terms of study accessibility, HEIS and other aspects. While the most elite HEIS have maintained excellence, those less recognisable, mostly private HEIS experienced setbacks, due to lack of both appropriate infrastructure and academic and non-academic staff. On the other hand, diversification of resources increases private cost of education and contributes to increase in unequal access to higher education.
- High enrolment numbers require diversity from HEIS that serve different purposes and needs, and thus differ greatly. Changing the higher education system in this direction is inevitable.

⁵ Changing the sectoral structure of the economy in favour of services and industries that need highly educated workforce in order to operate (Conrad, 2007, p. 8) was an additional reason for increasing enrolment in higher education and higher education became an essential positional asset (Barle, 2010, p. 14).

- Quality of academic profession is lower. High number of academics means that not all are excellent experts and researchers, and financial pressures and work overload make the profession even less attractive to the best individuals.
- Growth of private higher education providers, which for the most part operate not-for-profit, but are also expanding as a for-profit business whose quality is questionable.
- Transferring education costs to students by introducing or increasing tuition fees and reducing public transfers and, in some cases, introducing loans.
- presence of financial management in ways of financing higher education. Handling higher education as a marketable commodity, e.g. study abroad, cross-border education, transnational higher education and recruitment of foreign lecturers are examples of higher education trade.

Since the late 1980s, however, we have witnessed an extensive process of reforming and transforming European higher education, which was based on neoliberal policy as a means of achieving important political objectives (Bleiklie & Kogan, 2006, p. 4). Objectives of higher education policies started to emphasise the highest possible efficiency, quality, accessibility, competitiveness and autonomy of HEIS, the need to diversify and find new forms and sources of higher education funding (Herbst, 2007, p. 16), which is particularly emphasised in the current Europe 2020 strategy.⁶ The financing method should therefore reflect measurable results with clearly defined performance and productivity indicators, which would make HEIS more effective and responsive to society needs.

Insufficient public funding and rising education costs have encouraged HEIS to seek alternative financing sources⁷ and enhance private higher education (Salmi, 2009, p. 298). Governments encouraged

⁶ Similarly, the OECD has always been committed to reforming and transforming higher education systems in the light of neoliberal doctrine (Olssen et al., 2004, p. 149), which contributes to the revival of the human capital concept, or education, training and knowledge for economic progress and development.

⁷ A new source of funding emerges through grants and internationalisation process, mostly in the UK, as well as in Germany, France and the Netherlands, where high tuition fees are charged to non-EU foreign students and study costs are reduced by online study (Sanyal & Martin 2006, p. 13).

privatisation of higher education and thus emergence and growth of private higher education, particularly seen in Central and Eastern Europe (Sanyal & Martin, 2006, p. 4). Privatisation is often conceptually understood as transfer of ownership and/or financial responsibility from public to private sphere, but this is only one of the meanings of the word. Other meanings include increase in the number of private individuals pursuing publicly valid study programmes, diversity of funding mechanisms and introduction of private management practices at public HEIS (Teixeira, 2009, p. 232).

In Europe, private higher education remains relatively small compared to public, but boundaries between public and private higher education are becoming increasingly blurred (Lešjak & Skrbinjek, 2013), as private HEIS can be financed with public money, and public HEIS with student contributions. This trend follows objectives of higher education policies towards greater HEI autonomy and departure from traditionally public HEI management function (Vincent-Lancrin, 2009, pp. 261, 279).

Effects of Economic Crisis on European Higher Education

Our research focuses on effects of economic crisis on higher education, discussed in more detail in this chapter. Higher education cannot be completely separated and independent from economic activity in its operation (Bahmani, 2011, p. 1). Mostly publicly financed higher education systems are highly dependent on cyclical economic movement and public spending (White & Musser, 1978, p. 177). According to Eggins and West (2010), long-term effects of global economic crisis on higher education are visible regardless of the country's development, but the scale of impact varies depending on the structure and form of individual higher education system (Eggins & West, 2010). In the USA, effects of global crisis reflect in increased student enrolment, high unemployment rates and cuts in public funds for HEIS (Bahmani, 2011, pp. 1–2). It can be concluded from consequences that value of higher education as national priority for increase of well-being in the USA diminishes (European Students Union, 2013, p. 1).

European policies place the importance of higher education and its financing at the forefront of public debate, with the EU beginning to develop a coherent and comprehensive response to the crisis immediately after its onset, with a joint economy recovery plan in

the framework of the new Europe 2020 strategy⁸ (European Commission, 2011c, p. 3). The new strategy's efforts aimed at promoting 'smart, sustainable and inclusive growth', where smart growth incorporated quality work of higher education sector as a key policy area for stimulating economic activity, increasing graduates' employability and making long-term investments effective. There is no doubt that higher education is of great importance on European⁹ and national levels, but problems appear at available funding.

The Europe 2020 Development Strategy (European Commission, 2010b) is accompanied by an European higher education modernisation programme (European Commission, 2011a), in which the European Commission proposes to continue the initiated processes of change and modernisation of higher education systems, recognising that HEIS can do a lot to improve current circumstances by seeking to stimulate economic growth, competitiveness, innovation and social cohesion (De Boer, Jongbloed, Benneworth, Westerheijden, & File, 2012, p. 10). One of the European Commission recommendations addresses financing of higher education, namely 'creating effective management and funding mechanisms to support excellence' (European Commission, 2011a). The European Commission is committed to targeted financing, being development-friendly in times of tight fiscal consolidation. This segment includes education as a sector to be protected from excessive public cuts (European Commission, 2012, p. 7). Thus, the European Commission, on the one hand, sets higher education objectives that are consistent with the neoliberal view on the role of education, but at the same time tries to protect it

⁸ Essentially, it is a continuation of the Lisbon Strategy objectives, which were not met by 2010. EU Education Report (European Commission, 2011c), for 2000–2010 period, states that EU Member States made positive steps in education and training under the auspices of the Lisbon Strategy, but met only one of the five objectives, namely increase the number of graduates of mathematics, natural sciences and engineering at 15%, and exceed it by 22%. Insufficient progress was made at reducing the school drop-out rate, increasing the number of pupils completing upper secondary education, improving reading literacy skills and increasing the share of adults participating in education or training.

⁹ The European Commission (2011a), in support of the Europe 2020 development strategy (European Commission, 2010b), highlighted the key role of higher education and its links in research for individual and social well-being, as well as in increase of human capital in order to create new jobs and stimulate economic growth and development in crisis.



Economic crisis has affected employment of graduates and also the structure of employers' demand for graduates. Changes in graduates' employment in times of economic crisis, also considering its depth in individual countries, are examined in this monograph.

We are interested in how economic crisis and its consequences affect HEIS themselves, particularly changes in number of academic staff and the offer of study programmes. HEI's responses to consequences of economic crisis are examined in greater detail in this monograph.

In order to gain deeper insight into changes, this monograph presents results of a more detailed case study of changes in HE in Slovenia, covering all three aspects studied, i.e. demand for HE, and demand for graduates on the labour market, as well as adjustments of HEIS.

The monographs focuses on examination of global economic crisis effects on non-financial aspects of HE in selected European countries. Since the form and structure of HE differ from one country to another, effects of economic crisis are also different and specific. Due to embedding of HE among different forces, we were interested in how – during global economic crisis – study-related supply and demand, number of students and graduates and their unemployment in European countries change, given different conditions in their economies, and how HEIS adapt to these changes.

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