

COMPETITIVE ADVANTAGES OF PRIVATE EDUCATION IN BULGARIA

Evgenia Penkova

University of National and World Economy - Sofia, Bulgaria, evgenia.penkova@unwe.bg

Alexander Valkov

University of National and World Economy - Sofia, Bulgaria, alexander.valkov@unwe.bg

Abstract: During the last decade the private education sector in Bulgaria is becoming a competitive educational alternative, albeit with a limited market share. The interest in the development of the private educational initiative has developed in spite the considerable demographic pressure and a stagnating public education sector. Based on the theory of market defects the article provides empirical evidence for some of the comparative advantages of private education. They are identified both on the demand side and the supply side.

The key competitive advantages of private education provision at both secondary higher education levels are: the quality of the educational product; the better realization of the graduates and the compliance of supply with the market demands.

Keywords: education; private education; quality of education;

1. INTRODUCTION: PUBLIC AND PRIVATE EDUCATIONAL ALTERNATIVES

The private education sector in Bulgaria has its begging starting with the democratic changes in the country. Unlike other sectors in the social sphere developmental processes are not so intensive and the public alternative in education remains dominant. For the last decade private educational structures are sustainable at the level of 10-11% of the total number of educational institutions. Within the slow general growth of the sector for the period 2006 – 2016, private educational institutions grew by 5% in total while students were up by 0.3%. Against this background private educational initiative is most noticeable in college, higher education levels and vocational training centers, i.e. in those sectors which have the closest link to the labour market. In the system of pre-school and school education the private sector covers only 4% of general education schools, 5% of kindergartens and 10% of vocational high schools. In total 4.6% of all students are in the private education sector with the largest share of university students being 13.5%.

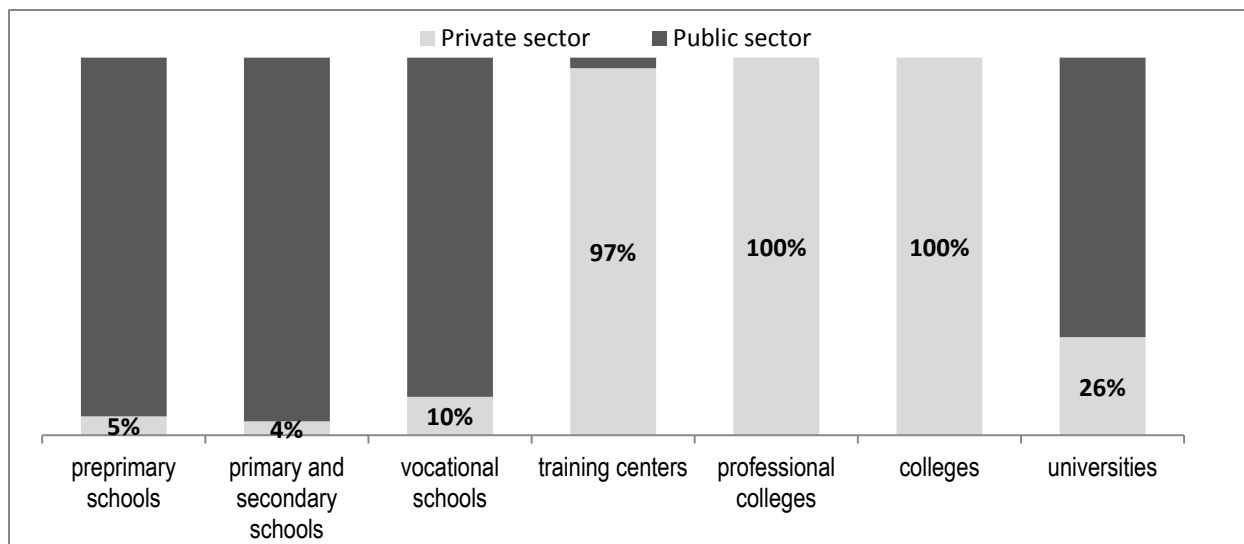


Figure 1: Public and private fields of education (by share in educational institutions, 2017)

Source: National Statistical Institute, 2017

The above trends are result of a number of reasons among which the dominant are:

- the deteriorated demographic situation in the country resulting in a 20% decrease in secondary education graduates in 2017 compared to 1990;

- the wide network of publicly funded schools where supply significantly exceeds demand. From this point of view, the problem of optimizing the educational network in the country is of major importance;
- the strong administrative regulations issues by the state and the inequitable treatment of public and private structures which limits the private initiative, are also to be counted, and etc.

Amid these structural and long-term factors, the relevant question is what is the profile of the private offering of educational services?

1. PRIVATE OFFERING PROFILE

The outline of the education profile can be done in a coordinate system of three variables: a) kind of services offered, b) localization, and c) price of supply.

- With regard to the *type of services offered*, there is an obvious product specialization by degrees of education. For example, two-thirds of private schools are in the field of foreign languages learning and vocational schools-every fourth school offers economics and management training, and every fifth is in the field of security. In the system of higher education, private supply is mainly oriented towards training in social, economics, legal sciences and arts. White fields include technical specialties, medicine, pedagogical sciences, physics, chemistry, mathematics and agrarian sciences. Therefore, half of the professional fields in higher education are not covered by private universities;
- With regard to the *territorial network*, a number of specific features are outlined. Private learning structures are concentrated mainly in large towns where there is a higher solvent demand. In addition, there are differences related to the two levels of education: a) school education is characterized by extremely uneven distribution (half of the private schools are in Sofia); b) by contrast, universities are relatively well-located in the regions meeting the needs of all regions in the country.

It can be summed up that there is a limited supply of educational services geared to market demand, the solvency of the population and the realization of economic benefits for producers/service providers (schools and universities). This is an indication of a significant market defect - incomplete market (limited product mix) and therefore a risk of unmet needs of society.

An important aspect of the assessment of the supply of private educational services in the country is their *price level and dynamics*. There several features can be derived:

- There is a strong disparity in the tuition fees depending on the location (horizontal differentiation) and by degree of education (vertical differentiation). For the system of school education, data show that Sofia's tuition fees are twice as high as those in the country. Vertically, the differences are not so pronounced, as the economic motive here is to keep more students in secondary school. This is also one of the main challenges facing the sector;
- As with schools, universities themselves determine the amount of student fees on a market principle. The Law on Higher Education in Bulgaria regulates the enrolment and thus effectively limits the private supply of educational services in universities. Under these two conditions, the supply price is depending on several factors: a) student fees at state high schools and universities; (b) the cost of private sector competitors; c) the image of the higher schools; (d) the income of clients; e) localization of universities. The latter two factors are largely interrelated. The experience shows that the tuition fee is formed on a different basis, but most often it is related to the minimum wage. This implicitly binds the amount of the fee with the income of the consumer and the level of income in the country. The differences in the amount of university fees are impressive: from 10,120 euros at the American University (Blagoevgrad) to 520 at the Bourgas Free University. This focuses on pricing models where the image is the main integrating factor for price formation of educational services. In the case of private universities, the main differentiation in fees is not in the professional fields (where the differences are in the state universities), but mainly in educational-qualification degrees and international programs;
- There are no state price regulations. This fact should be seen in connection with the strong regulation that the state exerts at the "enrolment in the system" by determining the number of the enrolled student. Based on this the applied pricing policy can be characterized as selective and restrictive to the access to private education services. Changes in school legislation (Pre-school and School Education Act, 2016) provide for a grant to private schools, provided that 20% of the students admitted are exempt from fees, and activities for remuneration will only be outside the government-funded ones. Obviously, there is a contradiction, which leads to the absurd situation that private schools renounce state funding for their activities. For example, at

the end of 2017 only 9 out of 121 private schools and 5 out of 93 private kindergartens have applied for a grant.

For the regulatory efficiency speaks the data for enrolment in private higher education institutions and universities for the period 2010 – 2017. Within a pronounced trend of a significant drop in demand (of 38.82%), the state has set twice as much enrolment figures and this opens the "scissors" between „demand - capacity-supply“ more than twice.

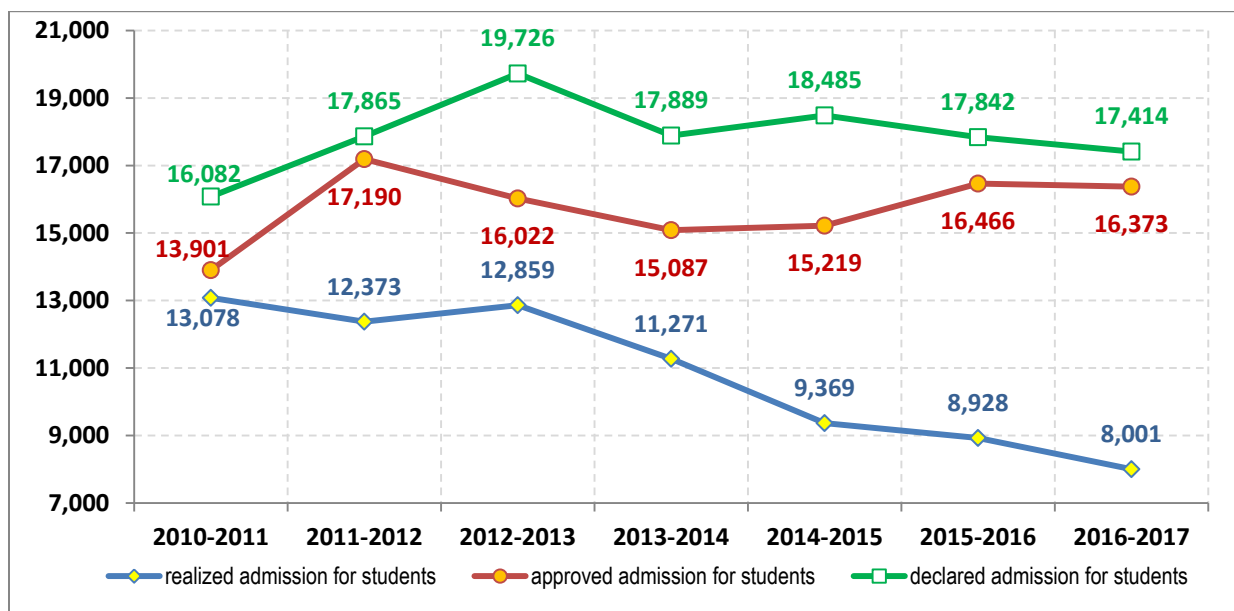


Figure 2: Realized, approved and declared admission plan for students in private universities (2010-2017)

Source: Institutional Information of the Ministry of Education, 2017

- A comparison of fees in private schools and universities to public ones gives an indication that they have to provide a product with high and proven comparative advantages in order to attract demand. On the other hand, the fees are the main source to cover the cost of study, which is a demand-limiting factor. For similar professional fields and studies like in Economics, in private universities the average annual fee is about 1600 €, while in state universities the fees vary around 220 €.

The opportunity private schools and universities have to conduct a selective product and pricing policy is the material basis for building key competitive advantages over the public education sector

2. COMPETITIVE ADVANTAGES OF PRIVATE EDUCATIONAL INITIATIVE

Recent empirical studies¹ highlight the following main advantages of private supply in the education sector: (a) the quality of the educational product, (b) the successful realization of the graduates, and (c) the generation of relatively higher income. This general conclusion has a different manifestation in school and higher education.

(a) As regards the quality of the results:

- In **school education** the most competitive is the “output of basic education” level. The results of the national external evaluation in the country are the evidence for this. For example, the evaluation of the 7th grade graduates (2016) shows that in the overall ranking of schools in Bulgaria in the top 20 in foreign languages 16 private schools are included; in Bulgarian language and literature - 11, and in mathematics - 9 private schools². These results are even more convincing, given that the total number of private schools is 4% of all. Thus the pupils of these schools are the main input for the elite secondary schools in the country. According to the National Association of Private Schools and the Education Portal "Exam Net" (www.izpiti.net) 98% of

¹ The article uses the results of the research "Market and non-market alternatives in publicly funded services", funded by UNWE, Sofia for the period 2006-2016.

² According to MES data on the results of the national external evaluations for the period 2012 - 2017

the *graduates of the private high schools* are enrolled in higher schools and universities in the country and abroad;

- Regular data on the quality of **higher education** from 2012 until now gives the Rating system of higher education institutions in Bulgaria.³ It shows that several private universities occupy permanent leadership positions in standardized charts on the professional fields they offer. For example, in the most massive professional fields – economics, administration and management - the leaders are American University (Blagoevgrad), New Bulgarian University (Sofia) and Varna Free University. Another area of the private universities is the arts field, where the leaders are New Bulgarian University (Sofia) and Varna Free University.

Undoubtedly these results are a great achievement for the still "young" private sector of education in Bulgaria. Perennial leading positions from both schools and universities, affirm the private education as a serious competitor of public education institutions-ones that had been built over decades.

(b) In terms of realisation comparative data on higher education are also indicative:

- There are significant differences in the level of *unemployment*, both in professional fields and in universities types. For this purpose, we can compare the private and state universities, which according to the Rating System (2016) are into the top ten in respective professional fields. For example, in Economics it shows that unemployment among graduating state universities ranges from 1.39% to 5.20%.⁴ For private universities, the same indicator ranges from 1.20% to 2.76%.
- The second indicator - *relevance of knowledge*⁵, shows a similar trend. While in state universities for the same period, the relevance was estimated at 31.56% (for University of Economics, Varna) to 69.66% (for Sofia University, Sofia), in private universities it was between 45.61% (for New Bulgarian University, Sofia) and 77.27% (for the American University, Blagoevgrad).

It can be summed up that the private education sector is better valued at the labour market compared to the public sector. The "image" of the university appears to be of paramount importance here.

(c) In relation to the above two aspects of comparative advantages are also the incomes of the graduates. In this respect, an adequate indicator is *the average monthly insured income* of graduates in higher education institutions and universities.

- For the purposes of the analysis, it is necessary to compare the private and public universities which, according to the Rating System (2016), fall into the top ten in the respective professional fields. For example, in Economics it shows that the differentiation in earnings of state universities graduates ranges from € 446 to € 886, or twice. In the case of private universities, the lower income limit is higher - € 628 and a higher income ceiling respectively - € 923, with a seemingly smaller "scissors" of the differences (47%).

It can be summed up that the individual demand for educational services is strongly dependent on the school's image and the income limitations of the users. The realization on the labor market (public demand) is strongly influenced by the university's image and the economic impact of education also by the socio-economic development of the region.

3. CONCLUSION

Although with a limited range of supply, the private education sector in Bulgaria shows significant comparative advantages. They are focused on the following areas: better quality of results both at school and at higher education level; lower unemployment among graduates of private higher schools and universities, together with higher income. Through the prism of the competitive advantages it suggests that the private educational alternative is more effective. The system of private school and higher education/university education has untapped potential for development, which should be the subject of targeted public policies and public regulation.

³ Rating system of higher education institutions in Bulgaria <http://rsvu.mon.bg/rsvu3/>

⁴ Percentage of unemployed from graduates over the last 5 years. Rating system of higher education institutions in Bulgaria, <http://rsvu.mon.bg/rsvu3/>

⁵ Percentage of employees in positions requiring education in the professional field. Rating system of higher education institutions in Bulgaria, <http://rsvu.mon.bg/rsvu3/>

LITERATURE

- [1] Monitoring of education and training, Bulgaria, EC, Directorate-General for Education, Youth, Sport and Culture, 2017, available in: https://ec.europa.eu/education/sites/education/files/monitor2017-bg_bg.pdf
- [2] Register of institutions in the system of pre-school and school education, MES, 2017, available in: <http://89.252.196.217/Schools/search>
- [3] Register of private vocational colleges in secondary education, MES, 2016, available in: <https://www.mon.bg/?go=page&pageId=8&subpageId=78>
- [4] Rating system of higher education institutions in Bulgaria, available in: <http://rsvu.mon.bg/rsvu3/>