III Adjustment Strategies: Cost-recovery, Management and Structural Reform

The Threat to Education from Structural Adjustment: A Realistic Response

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Since the early 1960s the volume of public expenditure on education in many LDCs has increased tremendously. The combination of the drive for universal primary education, rising demand for 'high and middle level' manpower skills, coupled with rapid growth in population and the importance of the political capital to be gained from meeting the public demand for education, virtually ensured that education spending would have a high priority in most countries' public expenditure programmes well into the future. But however affordable such expansion may have appeared at the time, a key issue seldom addressed was that of sustainability. Could many of the developing countries (particularly the least developed) afford to mortgage a high proportion of their future GDP on formal and expensive systems of education? Given the volatility of most of the economic parameters crucial to these countries, i.e. export earnings, domestic revenue receipts, agricultural output and industrial production, the risk might well be considered in today's climate of economic realism as far too high.

However, even in the more 'heady' days of early independence, in many countries the affordability of the rate of educational expansion which has since occurred was being strongly questioned:

> It is of the highest priority to ensure that an adequate proportion of the population receives secondary, post-secondary and university education; this should be put before the goal of universal primary education if, for financial reasons, these two are not yet compatible [Unesco 1961:10].

The purpose of education, as seen by Unesco in the context of LDCs, was first and foremost to contribute to economic growth, and this implied the postponement of large scale commitments by government to meeting the 'social' demand for education. The fact that the Unesco strategy was largely ignored is testament to the political imperative, on the part of government, to at least be seen to be attempting to meet such demand. Nevertheless, the achievement of self-sufficiency in manpower requirements, coupled with the satisfaction of the social demand for education is an objective which can never be achieved on the basis of political momentum alone; a solid and stable economic underpinning of that momentum is crucial if some (or perhaps all) of the aims set for educational development are not to be seriously compromised. The vulnerability of LDC economies, especially those in sub-Saharan Africa, has ensured that this economic underpinning so necessary for educational (as well as other social) development was at best temporary, and at worst non-existent. The rationale behind structural adjustment policy, at its simplest, is to generate an economic framework within which the necessary economic stability which has thus far eluded many LDCs has at least a better chance of emerging than in the past. Whether this is likely to occur is naturally a matter of keen debate, but a contribution to that particular discourse is not the purpose of this article.

That painful adjustment in many LDCs is now occurring is a fact. The emphasis, as far as education is concerned, should now move on to the measures that might be employed in mitigating the effects of financial restrictions on education. An outline of some of the measures which are worth considering is given in Table 1 below. It should be emphasised at this point that the measures suggested here would not constitute a radical departure from practice in many countries, but they are relevant to those LDCs where educational provision continues to be heavily subsidised, particularly at the post-primary levels.

The type of strategies listed above comprise the use of expenditure reduction allied to intrasectoral expenditure switching policies, cost recovery initiatives, manpower needs assessment, improved resource management and greater decentralisation at all levels. The list is clearly not exhaustive, but it does address two important issues which need to be faced: the general absence of price signals in education and the inequitable structure of education expenditure as between the three main levels in many countries (these two factors themselves being closely related). The only justification presented here for each item in Table 1 is that implementation is likely to go some way towards alleviating the recurrent cost burden of post-primary education, while simultaneously reducing the degree of inequity in the public financing of education as a whole.

Table 1	**Adjustment Measures Open to LDC Education Authorities**		
Policy	*Primary*	*Secondary*	*Higher*
Cost Recovery			
Fees	Maintain	Introduce/Raise	Introduce/Raise
Books	Free	Rent/buy	Rent/buy
Food	Buy/grow	Buy/grow	Buy/grow
Boarding	Usually n/a	Include in fees	Include in fees
Expenditure			
Capital	Maintain	Halt	Halt
Maintenance	Increase	Maintain	Maintain
Recurrent	Increase	Reduce	Reduce
Manpower			
		Relate capacity need to *current* vacancies	Relate capacity/course to *current* vacancies
Resource Management			
Staff	Introduce/raise location incentives; more in-service and less pre-service training; minimise attrition	Reduce number and increase in-service training	Reduce number on basis of course-job market relationship
Materials	Privatise production and distribution if under Ministry control		
Class size norm	Maintain	Increase	Increase
Cycle	Maintain	Maintain	Reduce by one year
Administration			
	Increase local authority autonomy	As in primary	Increase planning autonomy

Cost Recovery

The prime rationale behind any cost recovery programme is that it should be targeted towards those levels of education where potential savings are the greatest, and where the impact on student and parental welfare will be felt least. The two prime candidates for such targeting are secondary and higher education. In sub-Saharan Africa for example, the cost of providing education at the primary level is roughly one-fiftieth of that needed to finance a University student, and only one-quarter of that needed for a secondary school student [World Bank 1988b:Table 6-3].

These cost differences largely reflect the fact that many higher and secondary students are boarded at no (or very little) direct cost to themselves. Of course it will be argued that the introduction of cost recovery programmes into post-primary education will itself generate social inequity, since those least able to contribute to their own support will be excluded from such education. This is a false argument however. First, there is no reason why governments cannot formulate systems of support for those who genuinely require it, and second, it is quite clear that in many countries both students and parents are willing and able to finance education if necessary, given the growth in the private sector since the 1970s. Third, but most important, is the evidence that, at present, the majority of students in post-primary education come from homes which could readily afford a bigger contribution than is currently being made [see World Bank 1986]. Such sentiment was apparent in Scotland in the mid 19th century, when post-primary enrolments were comparable with those in many LDCs today:

> . . . infant and primary schools ought to be special subjects of state provision and care . . . [but since the] benefits [of secondary] are not universal, it should be supported solely by those who take advantage of its instructions, although the state may extend to it protection and regulation [W. and R. Chambers, eds., 1842:239].

In the context of limited public funds it was not therefore considered appropriate that the state should subsidise a minority of individuals beyond primary education since, in the main, they were individuals who could finance themselves. The main effect, therefore, of cost recovery at these levels would simply be to reduce the massive consumer surplus currently being enjoyed by the majority of those using a publicly provided service. The economic justification for the reduction of this surplus ought to be obvious, but its political feasibility is far from being so. However, such measures would represent a source of potentially large savings, and given the constraints now operating on public expenditure in many countries, economic sense may (for once) win over the attractions of political expediency. If not, the prospects for education as a whole will be even gloomier than at present.

Expenditure

The introduction and/or increase in cost recovery efforts at post-primary levels will allow recurrent expenditure on these levels to be reduced substantially, a proportion of the savings being allocated to the primary level which, in most LDCs, has been grossly underfunded for decades. Capital spending on primary schools ought to be raised in an effort to enhance the environmental quality of schooling (and thereby the morale of parents, teachers and pupils alike) while such spending at the post-primary levels could be halted until such time as public (or private) funding can be justified in terms of the demand for high and middle level manpower. It is essential, however, that maintenance be continued at all educational institutions, since the long term costs of ignoring this are always prohibitive.

Manpower

Greater investment in public secondary and higher education in LDCs is often justified in terms of the manpower requirements of the economy. This usually means manpower for the formal/industrial/administrative sectors and the development of skills which, on the whole, exhibit little or only tenuous relevance to rural development generally. It is significant indeed that despite massive investments in these levels of education the proportion of the labour force in the least developed countries not employed in agriculture increased by only five percentage points between 1965 and 1980, while the labour force itself grew by over 30 per cent during that period [see World Bank 1988a]. In other words, the structure of employment in many LDCs has changed only marginally despite decades of prioritising post-primary education.

The imposition of structural adjustment on many LDCs could well be seen as an opportunity (in education at least) to reassess the true manpower needs of these countries in terms of rural employment and training programmes, the expansion of technician level training and the feasibility of employer sponsored training, either on-the-job or via post-primary educational establishments. The cost of traditional post-primary education compared with its benefits to society are no longer justifiable in the context of the present economic climate in many LDCs. It has been shown that the private rate of return to higher and secondary education in several LDCs can exceed the social rate by as much as 80 per cent and 25 per cent respectively, indicating the degree to which these services are poorly supported by their beneficiaries [see Psacharopoulus 1980, and Psacharopoulus and Loxley 1985]. There is as much a moral as an economic case for a reassessment of manpower policy and how to finance it in LDCs.

Resource Management

The largest area of recurrent expenditure in education is that related to staff salaries. It would clearly be wrong to advocate that salaries should be cut in real terms, since there is no reason why school teachers should be expected to shoulder the burden of financial stringency as distinct from other recipients of state funding. However, one source of potential savings lies in the improvement of incentives to teachers in rural areas geared towards reducing teacher attrition. The costs of attribution can be high in terms of severance pay, additional recruitment and replacement training, and the loss of experienced staff. Improved school buildings, more in-service training and less staff turnover will contribute substantially to work satisfaction and morale in primary education. The stability of the primary teaching force ought to be of the highest priority to education ministries, since it enables the provision of a better service to the pupils and, in the long run, generates savings through the avoidance of what can often amount to substantial replacement and staff redeployment costs. The importance to cost control of improved manpower management at the primary level cannot be overstated, yet it is an issue which rarely receives much attention.

In the case of secondary education more attention should be paid to consolidating the skills and experience of staff through more in-service training, and, in conjunction with manpower needs assessments, such training could include the development of more subject areas in the individual teacher's portfolio, thus enabling greater flexibility in the current teaching force, rather than incurring the greater expense of additional recruitment. In shortage subjects salary enhancements could provide the necessary incentive to achieve this, while other subject areas should be allowed to contract to staff levels consistent with the legal requirements of the curriculum.

The use of signals such as these will enable a closer relationship to be achieved between teacher supply, demand and the graduate labour market. In higher education, where subject specialism is often essential, the costs of retraining would be prohibitive, but the use of salary differentials favouring those areas prioritised in manpower policy ought to be seriously considered. Given the costs of higher education, the provision of subject areas not central to manpower policy should be limited to the private demand for such education. In subjects such as these the decision to invest in education would then be more closely allied to the costs, benefits and risks as perceived by potential users of the service.

The above measures at the post-primary level may appear draconian, but they are consistent with the twin aims of introducing at least some elements of the price mechanism into these levels of education, thus connecting the potential beneficiaries of the service to their own willingness to accept some responsibility for its provision and of redressing, to some extent, the large inequities that currently exist.

One source of potential recurrent cost savings concerns the production and distribution of educational materials. In many LDCs these functions are under centralised ministry control, which is often insensitive to the needs of the more remote areas. There is no reason why the development of local enterprises geared to materials production and distribution should not be encouraged by government. The economies of scale so often claimed for the centralisation of these functions are in most cases nullified by the bureaucracy required to manage them, while the inflexibility inherent in such centralisation rarely allows for the tailoring of course materials to local needs.

Partnerships between individual schools (or groups) and local publishers could well form the basis for greater efficiency in both production and distribution, while simultaneously allowing greater scope for local teachers to contribute directly to the specific needs of their own area. This approach could be equally applicable to both primary and secondary education, but is likely to be less so in higher education, given that materials in this sector are often internationally applicable. Nevertheless there will be some scope, even in this sector, for the localisation of specific materials.

Apart from the exhorbitant costs of boarding, post-primary institutions incur large staff costs as compared with primary schools, a significant proportion of which is attributable to very high staff-student ratios. The typical ratio in the secondary sector is between 1:15 and 1:19 in LDCs, compared with 1:25 in the industrialised market economies [derived from Unesco, 1987]. The introduction of new class size norms into post-primary education should not therefore be expected to seriously affect the quality of education received, and would contribute substantially to recurrent cost savings. In the case of higher education, one further step toward greater internal efficiency is to increase the rate of throughput by consolidating syllabi in the degree courses into modes of study which require up to one year less in formal education. It is unlikely, however, that such a step in the primary and secondary sectors could be implemented without seriously compromising the curriculum.

Administration

Most of the measures suggested above would require a much greater degree of autonomy to be given to all three sectors of education. It is crucial that, particularly at the primary and secondary levels, individual Local Authorities should be allowed to arrive at their own decisions regarding staffing, capital expenditure and the provision of incentives/penalties regarding the structure and utilisation of the teaching force, since they are likely to be more responsive than the central ministry to the dynamics of population change, enrolment profiles and staff turnover.

Wasteful duplication of effort in planning and administration between the central ministry and local officials notionally responsive for education could be reduced significantly by the withdrawal of the ministry back to a purely monitoring function provided by the Inspectorate of Schools. It would of course be argued that this will inevitably lead to inequalities in provision between the Local Authorities' depending on their propensity to spend on education and their differential revenue raising capacities. This is indeed inevitable, but it has yet to be shown that centralised educational administration in many LDCs has achieved the opposite! Such decentralisation is entirely justifiable at both primary and secondary levels, with the proviso that given the national nature of secondary final examinations, it would be unhelpful to both pupils and teachers to allow significant variation in the secondary curriculum between Local Authorities.

In higher education such restrictions are much less common, and allowing these institutions a greater degree of autonomy in student recruitment (outside that required to satisfy manpower policy), revenue raising, planning and staff recruitment could make a strong contribution to the development of enterprise, independence and more efficient management in the higher education sector.

Conclusion

It is not being suggested here that the above measures would be appropriate in every LDC facing the exigencies of structural adjustment, but it is inconceivable that none of the above could not contribute in some measure towards a beneficial structural adjustment within education itself. That at least some of these measures are both feasible and politically practicable is evidenced by the substantial reforms now occurring in Ghana at all levels of education. The current crisis in LDC economies generally must be viewed in the context that forced change itself provides the opportunity for reforms in education which ought to have taken place but did not in the absence of economy wide austerity. Neither should it be imagined that only LDCs face these problems in education or other social fields; recourse to cost recovery, manpower flexibility, price signals and painful rationalisation in the health, social security and education systems of many European countries has been the hallmark of policy since the early 1980s. Of course the effects on teachers, pupils and parents in these countries must by definition be less onerous, given how close to the margin many LDC education budgets have been operating at for a long time. Nevertheless the stringencies now being faced in LDCs should be looked upon as a challenge by the education authorities to emerge, eventually, with a better managed, more equitable and higher quality education service at all levels. Given how much has been achieved in education in these countries over the past 20 years with comparatively few resources, surely meeting this challenge is not beyond most governments, education ministries and the educational establishments themselves.

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