The Impact of the Global Financial Crisis on Education Services in Economies of the Former Soviet Union

Irina Sinitsina

The global economic crisis has created new challenges for education systems all over the world. On the one hand, there is a need to ensure/initiate reforms in education in view of fiscal constraints, and on the other hand, there is a need to train new specialists for post-crisis development. The FSU countries were confronted with an urgent issue, not necessarily specifically related to the crisis: to formulate and introduce new educational curricula, standards, and delivery models in order to adjust to the challenges imposed by the transition to the post-industrial stage of development. In middle-income countries like Russia, Ukraine, and Belarus, this implied, above all, a radical improvement in education quality in order to meet the needs of a knowledge-based economy. In lower-income FSU countries, this meant adjusting their educational systems to meet specific priorities within their development strategies.

The available data allows us to conclude that during the crisis, the education systems of FSU countries were not dramatically affected by overall budget cuts. In fact, total education spending increased both in % GDP and in real terms in all countries except for Belarus and Ukraine. At the same time, the rigidity of education spending resulted in downward adjustments of public education funding (relative to GDP) in some countries (Russia and Kyrgyzstan) in 2010 (though not in 2009 - see Table 1). On the other hand, in countries like Belarus and Ukraine, government education spending was reduced in absolute terms during the crisis but it resumed its growth in 2010. Teachers’ salaries were protected everywhere except Belarus. Professional education (at all levels) and capital investments have become the main victims of expenditure cuts. Overall, the crisis initiated a dialogue about efficiency-oriented policy reforms and contributed to the greater commercialization of secondary specialized and tertiary education.

### Table 1. Public education spending in pre-crisis and crisis period, % GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belarus</td>
<td>5.7</td>
<td>5.1</td>
<td>4.9</td>
<td>5.1</td>
</tr>
<tr>
<td>Moldova</td>
<td>8.0</td>
<td>8.2</td>
<td>9.4</td>
<td><strong>10.3</strong></td>
</tr>
<tr>
<td>Russian Federation</td>
<td>4.0</td>
<td>4.0</td>
<td>4.6</td>
<td>4.3</td>
</tr>
<tr>
<td>Ukraine</td>
<td>6.2</td>
<td>6.4</td>
<td>7.3</td>
<td><strong>7.1</strong></td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>6.5</td>
<td>5.9</td>
<td>6.2</td>
<td><strong>6.2</strong></td>
</tr>
<tr>
<td>Georgia</td>
<td>2.3</td>
<td>2.2</td>
<td>2.7</td>
<td>2.3</td>
</tr>
</tbody>
</table>

*Note: Figures in italics are 2010 budget appropriations or 2010 budget execution preliminary estimates

*Sources: national ministries of finance/national treasuries of the respective countries

In all countries, the state remains the major provider of education at all levels. Private provision of education services generally continues to be negligible, with non-public schooling covering only a marginal fraction of students, except for higher education. In tertiary education, the share of fee-based enrolment (both in private and public institutions) is much higher, varying from about 50% in Ukraine to 71% in Moldova.

Fig. 1 presents a cross-national comparison of public expenditure per student (all levels) as a % of GDP per capita. FSU countries demonstrate diverse levels of public resources input per pupil, with Ukraine, Belarus and Kyrgyzstan close to the level typical for most CEE countries. An absolute measure of per student expenditures, controlled for differentials in the living costs (in USD PPP), allows us to assess whether or not the amount of public resources allocated to education is sufficient. By this measure, only Belarus and Russia are close to the lowest CEE results demonstrated by Bulgaria and Romania, while all other countries fall far behind.
A shortage of public resources has resulted in a sizable increase of private resources channeled to education, especially to tertiary education. UNESCO assesses total educational expenditure from private sources at 0.5% of GDP in Moldova, 0.2% in Azerbaijan, and 0.8% GDP in Russia and Kazakhstan. However, the deteriorating financial status of households limits their ability to further engage in the financing of education. The absence of well-developed schemes of governmental education benefits such as direct, indirect and non-cash subsidies and loans for students noticeably limits access to tertiary education among the poor in most countries. A partial exception is Georgia, where about a third of the students receive public grants covering from 30% to 100% of their tuition costs. The capture of public education expenditures by non-poor households is a widespread problem. Inequality in education spending contributes to inequities in education outcomes.

Most FSU countries record above-average (as compared to countries with similar levels of per capita income) and growing enrolment in tertiary professional education (Fig.2). In 2006 – 2010, tertiary enrolment rates rose by 25-30 p.p. across all FSU countries except Georgia and Azerbaijan, due to the expansion of private higher educational institutions (HEI), increasingly lenient eligibility requirements at public HEIs for fee-based students, and more affordable tuition fees (often accompanied by declining education quality). However, there are profound qualitative and quantitative mismatches between the structure of specialists trained...
and what is required by the labor market. Obtaining a
tertiary education has become a symbol of social status
rather than an instrument for obtaining practical
knowledge and experience within a chosen specialty.

On the contrary, vocational education and training (VET)
systems, particularly their primary segments, shrank1
following the collapse of state-owned enterprises’
potential to provide training for a specialized workforce.
With declining investment, obsolete equipment, old
curricula and aging teaching staff, this sector is losing its
attractiveness.

A widely used indicator of education quality and efficiency
is the pupil-teacher ratio (PTR). Most FSU countries,
especially European ones, are characterized by lower PTRs
(particularly in secondary education) as compared to
OECD countries, reflecting inefficient resource allocation.
Throughout the 2000s, the PTR declined in most FSU
countries, reflecting a decrease of pupil cohorts not
always accompanied by a proportional reduction in the
teacher workforce. Teachers remain one of the most
“overaged” and “underpaid” professions in FSU countries,
with average wages ranging from 59% of the national
average in Kyrgyzstan, 66.6% in Russia, 74% in Belarus to
84.5% in Ukraine. This hinders employment of more
qualified and skilled personnel and prevents teachers
from further developing their competences.

International assessment tests such as PISA measure
certain dimensions of 15-year old students related to
critical thinking and problem solving. 2003 – 2009 PISA
results demonstrate that the differences between the
OECD average scores and respective scores for Russia, a
FSU leader in education, remain significant and do not
tend to decrease. Azerbaijan and Kazakhstan demonstrate
results in the lowest decile of PISA participants, with
Kyrgyzstan closing the ranks. As Fig. 3 suggests, many of
participating countries with moderate economic potential
achieved higher results. Moreover, all four FSU countries
taking part in PISA are located below the trend curve,
which is indicative of below average resource use
efficiency in education. No universities from the FSU are
listed among top 200 of the Times Higher Education
World University index. About 40% of firms in middle-
income FSU countries are dissatisfied with the availability
of skilled workers and report the shortage of skills as a
major constraint to growth (second only to tax regimes),
which is indicative of the declining education quality.

The education sector in the FSU countries is in need of
further reforms aimed at delivering higher quality
education for the majority of students. An
infrastructure adjustment (like reducing overstaffing
and the number of schools), which used to be a major
source of savings in the sector, cannot be continued
infinitely. Further efficiency gains can come from the
introduction of per student financing (PSF) schemes, an
improvement in education standards, the introduction
of teachers’ performance appraisal systems, the
establishment of governing boards at public schools,
etc. Expanding independent quality control mechanisms
on the basis of pre-existing independent testing systems
and creating a link between the results of this testing
and the amount of funding received by schools would
increase both efficiency and quality.

The decentralization of the education system
management down to the school level is a natural
outcome of introducing PSF principles. It appeared to be
a widespread model of education reform in CEE
countries and is currently being implemented in
Armenia and Georgia where, after 2003, school funding
became independent from local authorities and is done
through voucher schemes. It is believed that
decentralizing power and increasing the autonomy of
education institutions (budgetary, program and
institutional) can improve competitiveness and quality
of education, as well as establish closer interrelations
with local labor markets.

Improvements in education spending require thorough
planning, political will, and transparent approaches in
order to implement/complete far-reaching reforms in
the sector.

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in transition in these countries.

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1 Belarus is an exception due to increased government funding.

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