
Issues and Prospectives of the Educational Service Market Modernization

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Abstract:

Today the concept of sustainable development is fundamental for educational service market formation both in selected countries and in throughout the world. In this paper the author explored various aspects of functioning of the educational service market using the Russian experience, formulated problems and offered solutions. The author suggests using such a synthetic indicator as comparison of planned and actual expenditures on educational sphere as a leading indicator of educational service market development. A special attention is paid to professional education and the problem of enhancing its competitiveness on the global education market. The author believes that it is necessary to include intensive factors of economic growth and in this regard the author suggests several recommendations aimed at initiating this mechanism. In particular, the need for better integration of higher education and employer's demands is emphasized. This paper discussed the issues and prospectives of governmental and non-governmental institutions of higher education; analysis of change in the number of these institutions was carried out; budgetary resources for various levels of education in Russia were evaluated.

Key Words: *educational service market, UN strategy on education, Bologna system, higher professional education.*

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1. Introduction

Fundamental changes taking place in the world economic scene today require improvement of competitiveness among the Russian higher education institutions of the global educational service market. Among the priorities of Russian educational service market development are building a competitive advantage on the global educational market, economic feasibility of financial sources and the amount of funding for training professional staff; and the role of the government in solving the problems of higher education institutions. Modernization of the entire educational system is required as well as availability of higher education for various population groups in Russia and the improvement of its quality in line with the international standards.

Lack of full scientific certainty in regard to these problems and their significance prove high relevance of the chosen theme and suggest detailed research of the higher professional education market in the Russian Federation.

The works of many Russian scientists and experts made a significant contribution to the research of relationships between educational system and economy. Among the authors are Kuzminov et al. (2013), Silanteva (2009), Chebotareva (2012) and others. The problems of economic relations in educational system were demonstrated in the works by Baydenko et al. (2004), Lobovskaya et al. (2005) and others. Abroad the problem of efficiency of educational services in transition economy is actively studied by Eastern European scientists among which in particular are Ciurlău et al. (2012), Neamtu et al. (2009). Certain aspects of improving competitiveness of educational system are covered in the works of Dearden et al. (2014), Cellini et al. (2014), Laureti et al. (2014) and others.

After Russia accepted Bologna Convention, Bologna educational system is actively introduced in our country everywhere (pl. refer to the Conference of European Ministers Responsible for Higher Education, 2005). Bologna Process is a process of volunteer participation of European educational systems oriented toward creation of integrated learning and scientific environment.

2. Method

For our analysis we used both universal research methods such as analysis and synthesis, and the method of scientific abstraction. Analysis is the method of mental division of the research subject into components and studying each component separately. Synthesis is opposite to analysis. Method of scientific abstraction is understood as the way of research based on emphasizing only the most important, significant and recurrent. These universal research methods are often applied in empirical studies.

We also use a number of statistical methods, in particular, the method of statistical observation, the use of relative values and time series. Statistical observation is usually understood as systematic collection of numerical data about social life processes and events. During the observation initially identified indicators are recorded in order to obtain generalizing characteristics of processes and events. Analysis of relative values is often used to obtain correct evaluation of indicators' dynamics and structure. Relative values are understood as data showing quantitative relation between the processes and events taking place in the economy, education etc., and calculated by dividing one value by the other. The denominator is comparative base and numerator is compared value. Time series is a sequence of statistical indicators located in time. Their change reflects the development of a studied event or a process and allows clearly identify the formation or development of economic problems.

We used the materials of Russian Federal State Statistics Service (2015), Higher School of Economics (2013), RBC (2013), Zabaturina (2013) and other as our database. Russian Federal State Statistics Service provides relevant systematic information about various aspects of social and economic relations including the level of educational service, state funding of this sphere, the number of educational institutions and the students on all levels of education in Russia. The Higher School of Economics publishes statistical digests covering the issues of education; we resort to the paper "Education in numbers: 2013" for the purposes of our research. The consulting group RBC carries out marketing research of different markets (predominantly, in Russia). In the context of our research we are particularly interested in the review of the Russian market of higher professional education. In general, factual material used for this paper includes both the official statistics and the results of marketing research of educational service market.

From the position of assessment of Russian educational system reforming and enhancing the efficiency of educational services, it seems highly relevant and useful to compare planned and actual expenditures on educational sphere including additional unplanned and lost revenues because of unfavorable market factors.

It is no doubt that the structure of budget expenditures is an important and often used factor for identifying budget priorities. However we use an additional factor which is a noise-free data. We assume that comparison of these parameters will enable us to make a conclusion about the character of the educational sphere financing at the moment. In case when budgeted deviations from the forecast values are comparable with deviations of other significant expenditure groups, we may state that education is not considered *de facto* as a priority sphere of expense. If the deviation for educational sphere is higher (in the positive direction), we may state that education is a budget priority. It is evident that a significant lag in growth of additional expenditures on education in comparison with other groups will demonstrate the residual financing principle for this sphere. We should note that these assumptions are valid only by adhering to the principle "given other conditions being equal".

Research based on the mentioned method will be considered as an extension of our research. The way of using additional budgetary revenues may serve as a criterion for identifying priority budgetary expenditures.

As the rate of the national Russian currency used for converting financial values into dollar terms, we took the average nominal exchange rate of the US dollar to the national Russian currency (ruble) for the period from the beginning of the relevant calendar year. In case the year has not ended, we took the latest officially published value.

3. Results

The analysis shows that the main suppliers of educational services in the Russian system of higher education are governmental and non-governmental higher education institutions creating an offer on the educational market. Individuals receiving education and paying for educational services create demand. Government remains a key element in this chain.

Regional sociological research show that the Russian system of higher professional education in demand among the population. Higher education has become an instrumental value and a priority for success in life among different social groups.

The result of the surveys carried out by the company “RosBusinessConsulting” more than half of the respondents consider the system of professional education, namely higher education, as an absolute value for themselves and their children (RBS, 2013).

The number of higher professional educational institutions increased in 2010-2011 and reached 1115. In the following years (2013-2014) we see a decline and the number of educational institutions was 969 (Russian Federal State Statistics Service, 2015).

The decline will be continued and it may be associated with the orientation of the Russian Ministry of Education and Science towards enlargement of educational units and with the closure of “inefficient” higher education institutions and the reduction of branches.

Starting with 2000-2001 school year, the number of students of all higher professional education courses increased and such situation prevailed up to 2008-2009 school years. Later we see a gradual decline of the number of students. At the beginning of the 2013-2014 school year this figure was 5646.7 students. The experts attribute this decline to a demographic issues, namely to low birth rate in 1990th.

The number of the students in governmental and non-governmental higher professional education institutions changed in the following way. In governmental

and municipal higher education institutions the number of students was increasing every year since 2000, 2008-2009 school year saw the peak of the number of students (6214.8 students). In 2013-2014 school year the number of students fell to 4762.0 people. In non-governmental institutions the number of students from 2000 to 2009 increased almost in 3 times from 470.6 to 1298.3 students, but later there was a decline and in 2013-2014 in non-governmental institutions there were only 884.7 students (Russian Federal State Statistics Service, 2015; RBC, 2013).

The most popular educational programs both in governmental and non-governmental institutions are “Economy and Management” and humanities given a significant lack of specialists providing innovative development. They are technical programs and science which are in most need by the economy of our country. The main reason for this is enrollment of students into additional groups on commercial bases by non-governmental institutions.

The applicants chose the institute of higher education according to the following criteria:

- educational institution reputation,
- professionalism and qualification of the staff,
- specialty curriculum,
- state-recognized degree,
- state-subsidized education,
- the level of organization of curricula and e,
- location of the institution etc.

According to the students, the main problems of the Russian educational system are weak cooperation with employing companies, social and economic instability, and regular failure to enforce the legislation in educational sphere. Among the advantages of the Bologna Process the students name the higher possibility of entering foreign institutions due to common standards; the opportunity to obtain bachelor’s and master’s degree in related disciplines; the opportunity to receive higher education in 4 years and independent choice of courses and active participation of students in planning the learning process. Major disadvantage of The Bologna Process for many students is the lack of demand for candidates with bachelor degrees on the Russian labor market.

Labor market today is characterized by the evident contradiction between professional competency of a graduate and real demand of the employer in terms of realizing his or her potential functions on the job. The system of higher education is oriented towards the governmental and population demands which may contradict the demands of employers.

While according to the Act “On the Federal Budget” the revenue amount for 2013 was set at 404 billion US dollars and expenditure 420.8 billion US dollars, expenditures of the Russian Ministry of Education and Science for the sphere

“Education” in amount of 19 billion dollars decreased in 2015 by 9.2 billion dollars (Table 1).

Table 1. Federal budget expenditures on education for 2013-2015 and expenditures on education for 2012-2014 гг.* (billion US dollars)

Stage of education	Budget 2013-2015			Budget 2012-2014		
	2013	2014	2015	2012	2013	2014
Pre-school education	0,7	0,4	0,1	0,7	0,7	0,4
Basic education	6,7	1,2	0,5	9,5	6,6	1,9
Basic vocational education	0,4	0,3	0,1	0,5	0,4	0,3
Vocational secondary education	0,4	0,2	0,1	0,5	0,4	0,3
Professional training, further training, continuing education	0,6	0,4	0,2	0,7	0,7	0,4
Higher and post-graduate professional education	47,1	30,3	13,3	43,7	41,1	25,8
Youth policy and health care for children	0,5	0,3	0,0	0,6	0,5	0,3
Applied research in educational sphere	1,2	0,6	0,3	2,1	0,6	0,4
Other educational issues	2,1	0,6	0,2	2,5	2,2	0,6
Total	59,8	34,3	14,8	60,7	53,2	30,0

*Before the federal budget 2012 adjustment on June 5, 2012

Besides, during 2013-2015 the Federal budget undergone significant changes in its expenditure structure by the stages of education. Thus, in 2015 in the Federal budget expenditures on education the ratio of expenditures on basic education decreased over than by 3 times - from 11.1% to 33% (Table 2).

Table 2. The structure of Federal budget expenditures on education in 2013-2015, %

Stage of education	Years		
	2013	2014	2015
Pre-school education	1,2	1,1	1,0
Basic education	11,1	3,5	3,3
Basic vocational education	0,7	0,8	0,8

Vocational secondary education	0,6	0,7	0,7
Professional training, further training, continuing education	1,1	1,2	1,1
Higher and post-graduate professional education	78,8	88,4	89,7
Youth policy and health care for children	0,9	1,0	0,2
Applied research in educational sphere	2,1	1,7	1,7
Other educational issues	3,5	1,6	1,5
Total	100	100	100

Participation of Russia in the Bologna Process implies great capacity development support for educational system, legal and institutional reforming of higher school, building partnerships within the system 'institute - company' due to the alliance of education and business; extension of the range of specialties that meet the requirements of the labor market; building educational market strategy with regard to the dynamics of demographic processes (Communiqué of the Conference of European Ministers Responsible for Higher Education, 2005).

Nevertheless it should be noted that the market of services in the sphere of professional education in Russia has already established itself, and supply and demand interact with each other under current laws and in this sense the market is an analogue to other services market. One of the main distinctive features of educational service market both in Russia and abroad is a long-term investment into human capital and that predetermines the character of private costs of professional education. Thus, cost of education for one and the same specialty in different Russian higher education institutions may vary from 300 to 10.000 US dollars a year. It is evident that in this case we see functioning of various types of market structures within one and the same market – from monopolists to monopolistic competitors. Monopolists offer a higher price and long-term perspectives. Monopolistic competitors attract consumers with their low prices, but strategic objectives of the consumers may be replaced by the tactical ones. On the other hand, labor market regularly experiences the deficit or surplus of the certain professions and through the transmission mechanism in the economy it affects the structure of supply and demand in the educational sphere.

The development of Russian system of educational services on the one hand is complicated by a number of negative demographic and social processes; on the other hand, it creates prerequisite for intensive but not extensive growth of the educational sphere. Intensive growth in education implies development and output increase (for example, in real terms) due to the introduction of new educational technologies, increase of labor productivity in this sphere etc. However, extensive growth in higher education sphere throughout 2000s was a result of favorable demographic processes in 1980s: a record birth rate during that period caused an increased demand for pre-school and school education in 1990s and higher education in 2000s. Intensive educational sphere growth in Russia may have various forms and one of

them is attraction of foreign students. In the context of national currency devaluation in 2014, exported services including education became more competitive and prospective. Thus, current situation is a challenge for higher education in Russia; the challenge which requires the use of intensive development factors.

We should not forget though that educational sphere is very responsive to innovations and this should contribute to intensification of development of educational service market. The Russian system of education fails to use international experience of market formation and foreign educational system is often criticized. Thus, international research show that Russian primary school children have better results in mathematics and reading in comparison to school children from other countries. This tendency is the evident benefit of the Russian educational system which includes participation of parents in a child's development. However in the secondary school this gap becomes smaller and it virtually disappears in upper secondary school. Russia does not participate in the international research of higher education. However we can judge about its quality by indirect signs: a great number of well-done Russians choose to give their children Western European or American education. Today this tendency extended to Russian families with modest income, but they choose the countries in the Eastern Europa. An important trend for innovation incorporation and enhancing productivity in the sphere of educational services is development of the system of "education for adults", because it enables integration of science and practice. For the consumer the choice of the educational institution meeting his or her demands in terms of his skills and abilities, educational technologies applied in the institution is not an easy task, because the choice is made not between the educational programs but between the institutions. In one educational institution the programs may also vary by the content and practical value for the employer. For this reason, the use of successful international practices in terms of professional development is one of the key factors for choosing the program by the employer.

Studying international experience of increasing higher education efficiency is an interesting and promising area in terms of intensive development of educational service market in Russia.

We should note that it is not reasonable to blindly transfer international experience into Russian educational environment. Existing institutional conditions, formal and, what is more important, informal rules of conduct which are changing during many years, have particularly strong influence on educational sphere. Introduction of international experience should be preceded by the analysis of national characteristics of educational service market and accompanied by an attempt to identify all the positive and negative consequences. In case institutional environment does not allow transplantation of efficient institution, we should remove this restriction. Systematization and introduction of successful international practices into the Russian educational service market will contribute to the appearance of intensive factors and to the growth of education in general.

Orientation towards the established labor market in Russia seems to be a critical area of intensive development of educational service sphere. Education inertia, despite active supply and demand, creates a long-term imbalance in competencies which are formed in educational environment and which candidates for vacant jobs need to have. In Russian educational environment we can see prevalence of fundamental knowledge over practical skills, but the latter is in great demand among the employers. It seems that new educational standards with professional competencies formulated by the business will help to decrease the contradiction in educational objectives. Nevertheless, we should not forget that correct development forecast for the productive forces of society and, consequently, the needs of economy in professions in 10-15 years has not been formulated yet. Development of a clear strategy of productive forces location in our country, need for tools to adapt to the labor market slows down the system's development and does not allow its efficient modernization in Russia. Until recently the need for guidelines to evaluate the state of human resources at both territorial and sectoral levels remained unsatisfactory. Lack of long-term forecast of labor needs complicates a clear vision of developmental perspectives in educational sphere and may provide the background for appearing unclaimed competencies. A fundamental base and ability for adaptation will be weakened.

Regarding the insufficient professional level for solving applied tasks among the graduates, the companies are more willing to recruit graduates of higher educational institutions. Partially it may be explained by the fact that higher education is a specific indicator of "compulsory socialization" and in Russia it suggests the possession of good communicative skills, ability to analyze and a strong sense of responsibility. This factor is more evident when the company enhances its capital-labor ratio because in case with weak liability insurance the employer is not ready to expose expensive capital objects to higher risk as a result of employees' negative impact.

Modernization of educational service sphere is complicated by the fact that there are no valid forecasts of population dynamics. It makes the investment process in the educational sphere even more complex when private investors are not ready to take risks in a situation of uncertainty. Thus, the government becomes the main source of investment costs. This problem particularly affects the primary levels of education. There are less opportunities of correct and efficient forecast of pre-school and primary school needs, for natural reasons, if to compare with secondary and higher education. We assume that clear long-term rules of the game will help to decrease the entropy in this sphere and will eventually lessen the risks for the private sector, enable the government and business identify the needs of the population more accurately and provide social and economic efficiency of educational services.

The objective of the higher education reforms is social and economic development of the country, enhancement of efficiency of expenditures on educational system development due to the participation of the graduates in social production.

The development of economic relations in the Russian system of education is accompanied by significant contradictions between its subjects. Higher education institutions fail to react timely on the market signals and that leads to insufficient number of graduates who meet current demands for skilled labor.

Educational market in Russia remains the seller's market. Higher education services do not fully meet the demands of the end consumers. The problem is that producers are dealing with already formulated requests and consumers with already formulated offer (educational programs). Interests of the both parties are not taken into consideration because they are outside economic importance. This leads to the delay in educational market reaction to the changes in the situation on labor market and this is also the reason of cyclical fluctuations when we see a contradiction between supply and demand. The periods of these fluctuations are explained by the lack of the system of social contract for specialties that are in high demand and the absence of a regulation mechanism.

4. Discussion

The following methods contribute to regulating the situation on the educational service market. The first method includes the need to initiate the changes in demand by creating relevant product offering. On the educational market we can reach this goal by regulating the normative base of the higher education system, increasing the list of educational services, expanding the network of educational institutions which train the specialists of professions in demand; by increasing the reputation of certain professions through ideology and public opinion.

The second method is performed in reverse order. "Demand" here plays a role of means and changes in the amount and structure of the supply are the result of changes in the demand development rate. We may affect the demand changing the amount of comprehensive income of the population. This can be achieved by additional emission of money or by limiting the emission.

The third method is considered to be the most efficient for regulating the educational service market because it affects both demand and supply [7]. Expanding commercialization of the higher professional education leads to contradictions: the institute plays a role of a social institute and as a subject of market relations simultaneously. On the one hand, higher education institutions produce public benefit by providing equal and available for everyone education paid by the government. On the other hand, they satisfy the need of the population in receiving higher education providing additional educational services on a commercial basis.

Consequently, we may give two definitions to the higher educational institutions. First, higher educational institution is the subject of society and the state and plays the role of a social institute, educational, scientific and cultural center which meet public demands and carries out a state order for training the specialists. Higher education institution is also a subject of the market relations and serves as a producer of educational services freely selling its production on the market. In the last case, a governmental institution, unlike non-governmental one, is a non-profit organization, and carries on business to reach its aims. A very acute question today is related to the limits of commercialization of the higher school: to what extent institutions are allowed to develop their business without losing its social status of great public importance.

Under present conditions the system of higher education need to move to the next qualitatively new level by promoting innovative educational methods and preserving traditions and continuity of scientific knowledge namely by maintaining high standards of higher education; and by training highly-qualified staff flexible to any changes on the market. This structure enables timely control of the education quality. Today higher education institutions are full subjects of the market economy and independently define the directions of its development, aims and methods to achieve them. Increased social demands to the quality of education initiates a radical renewal of educational technologies, fast changes in organizational and economic arrangements. This situation also favors more aggressive competitive struggle on educational market; the position of the government in terms of higher school is constantly changing.

5. Conclusion

Thus, among the objectives of the reforms today are the development of the system of non-governmental higher education, expansion of education on paying basis and the range of educational services, introduction of new specialties and a multi-stage system of higher education.

Introduction of intensive factors of educational services development is needed. Today in Russia there are all the favorable conditions to reach this aim, for example sharp increase of higher education price attractiveness on the background of significant change of the national currency rate in the second half of 2014.

Active modernization of the Russian educational system is possible only when priorities of state economic policy will be identified, but they should have tactical but not strategic direction. Education in innovative economy is proactive; it enhances staff capacity for rapidly developing sectors in economy and contributes to creation of prospective segments.

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