

REFLECTIONS ON THE UNIVERSITIES FINANCIAL AUTONOMY AND COMPETITIVENESS

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Abstract. *The recent changes in higher education have influenced the work of universities in Europe and the Republic of Moldova. The great number of universities (huge for a small country – 34), the academic offer of the same specialties, high, and not always fair, competition for attracting students, decreasing number of candidates to study due to demographic reasons, but also the access to education abroad of a growing number of high school graduates have determined universities to develop thoughtful policies to attract students. University autonomy, proclaimed in the Republic of Moldova since 2013, brings both opportunities and risks. In the present article we have discussed only some issues related to financial academic autonomy and universities competitiveness.*

Keywords: *competitiveness, university, financial autonomy.*

JEL Clasification: *A23, I12*

1. Introduction

Changes in the higher education of the Republic of Moldova, as well as throughout Europe and other parts of the world, were numerous, radical and continuous, requiring essential changes of the educational process. Initiation and implementation of various European and international reforms and processes are particularly relevant for Moldova, as the national education system is in a process of profound reform. All the reforms taking place in education are aimed at increasing the universities competitiveness internationally. Higher education tasks and functions are complex and varied towards the path to knowledge society. Changes that occur in this regard may be giving up on gaining knowledge for the sake of knowledge in favor of instrumental knowledge, professional emphasis in curricula, reducing the theory and increasing the applicative priorities, etc. Increasingly it is desired to have more relevant knowledge for technological innovation and economic growth but also for social welfare and cultural identity.

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Knowledge society is increasingly seen as going beyond the borders or even being borderless. The socio-political conditions for higher education are shaped rather globally than nationally. These challenges can be met only through enhanced international cooperation efforts for global visibility.

2. Universities' Competitiveness

Competitiveness is a complex process, very argued by economists from around the world. It generally expresses the capacity of entities, individuals, economies, regions to maintain competition at local and international levels and obtain economic benefits from it.

Competitiveness remains an ambiguous concept in specialty literature. On the one hand because of the various ways of defining and measuring it, and on the other hand because of insufficient theoretical considerations, being taken from business and showing a pregnant applied character. Over time, competitiveness practicality has defined by being tested and measured rather than defined, which allowed a multiplicity of views on competitiveness and even confusion with other economic concepts (e.g. economic growth, economic situation, foreign trade performance, efficiency, competitive advantage, etc.).

Encyclopaedic Dictionary defines competitiveness as the ability of products or services to face competition (Dicționarul Enciclopedic, 1993). This brief definition is not totally viable to identify the specific ways to improve competitiveness in a particular field.

Competitiveness is the ability of an enterprise to consistently support competitive and sustainable (Competition) in all its aspects. It is a concept with dual function: assessment of the company's evolution on the market and its evolution guidance in various ways (quality, price, cost, reliability, change) in terms of competition. Every organization needs to know and to ensure consumer needs in a competitive environment (Nedelea S., 2003, p. 60).

More and more often this concept is applied to education in general and universities in particular. When referring to the real sector of economy, competitiveness, though often confused with the company's financial situation, profitability or productivity, is more often associated with the ability of the firm to resist competition at a certain time.

The concept of competitiveness with respect to universities is much broader related to education and, also more difficult to be specified, at least when referring to the current situation in the Republic of Moldova.

University competitiveness is a component of the national competitiveness, comprising research and knowledge production capacities that contribute to the society development together with developing a high level of human resources. Some of the causes that determine the competitiveness of a university are as follows:

- Increased demand for research, development and knowledge creation;
- Universities' role as global talent provider;
- Interest towards higher education as a distinct field.

Competitiveness is hand in hand with competition. Competition is welcome, as long as it is fair. This should lead to increased quality at regional and national levels. However, it is obvious that we operate in a not quite favorable context. Unfortunately, there are still many (both employers and employees) who just need a degree, not necessarily skills. Nevertheless, we still need to resist the temptation to attract students by aligning the lowest level of requirements.

Neither the Labour Code is likely to stimulate performance. Once a person enters the university as a young assistant, is very likely that he/she will remain there until retirement, being sufficient only a minimal teaching activity, which is totally contrary to the practice in Western countries. No one and nothing can force someone to perform research, except for his or her professional ambitions. Neither the fact that there is only one candidate for most universities' positions is acceptable (http://qa.ubbcluj.ro/documents/calitate_competitivitate/competitivitatea_ubb.pdf).

There exist various international rankings, which imply a hierarchy of universities at the European or even global level using certain criteria. It is believed that the most competitive universities are those from the top of the rankings. Even if Moldovan universities are found in some of these rankings, usually they are on last positions. In fact, this does not mean that specialists who are trained in our universities do not meet the requirements of the labour market. The causes are various, including little visibility of our universities around the world, and of the Republic of Moldova in general.

The first rankings appeared in the U.S.A. during the 1900s. Most of the rankings are provided by large media companies and only a few rankings are made by universities, government agencies and foundations. There are also a large number of international rankings. Only about 500 universities in the world are found in the rankings, although there are more

than 20 thousand universities in the world. Most rankings are based on a combination of:

- Reviews / expert groups, such as “academic/employers’ review”—a collection of views on the status of the higher education institutions on various aspects;
- Bibliometric data – data on reference and publications from the two databases Web of Science (most important) and Scopus;
- Statistical data– number of students, teachers, researchers, financial data, international researchers, etc. reported either by the universities (THE and QS), or obtained by other means (official data from HSV / VHS).

Though it is prestigious for the University to appear in these rankings, we can’t generalize their role. Reasons are varied. First, the methodology is often poorly described and non-transparent. We also mention the weaknesses in terms of reliability and validity of data, rankings providers often do not correspond to scientific standards of transparency, reliability and validity, subjective and arbitrary choice of indicators and weight. Areas that are extensively explored in Web of Science and the topics often mentioned have a clear advantage, such as medicine and natural sciences. Here we also mention the inadequate control of the data reporting manipulating cases detected both in statistics and the ”academic reviews”.

3. Academic excellence

In a world of globalization, universities are increasingly seen as producers of knowledge, innovation, technology and qualified labour force from a purely economic point of view, thus contributing to the creation of wealth and a comparative advantage for regional and national competitiveness. Universities are also expected to generate revenues of higher education due to high demand coming from all over the world.

In order to be competitive, higher education institutions must find the necessary resources and flexibility to meet the needs of customers and other stakeholders groups (Willis and Taylor, 1999).

Academic excellence is a major driver of growing potential in developed countries. In order to foster excellence and enhance the international competitiveness of higher education systems, governments can use three levers: strengthen the autonomy of institutions, significantly increase the resources, use incentives, including funding research (Pecresse

V., 2010). Equilibrium of the above mentioned three components is necessary to develop universities competitiveness:

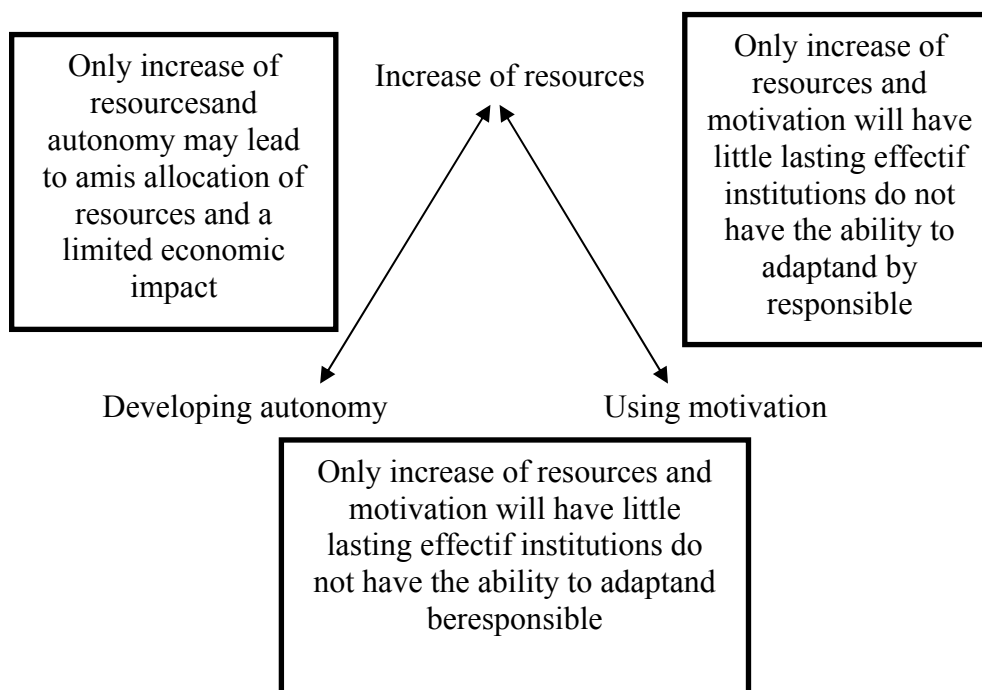


Figure no.1. Winner's Triangle (after V. Pécresse. *L'excellence universitaire: leçons des expériences internationales*, 2010)

In the above figure we emphasized the importance of simultaneous and equal development of the three pillars of competitiveness. Comments in boxes prove this statement. Underestimation or underdevelopment of one of these pillars cannot give the desired results.

4. Increased resources

The level of funding per student leads to general global performance increase of higher education. In nominal terms, the unit cost of a student has increased in all European countries. Total annual unit cost per student in public institutions was, on average, 4689 EURO PPS (purchasing power standard) in the EU-27 in 2000 and 6288 EURO SPC 2008 prices (5430 Euro SPC in 2008 at constant prices). This represents an increase in the

period 2000-2008 of the total annual unit cost per pupil / student by 34% in nominal terms. However, if we take into account the evolution of prices during 2000-2008, increased spending per student was only 16% at constant prices. In all other countries, the real unit cost per student has increased: in the Czech Republic, Ireland, Malta and Slovakia, it increased by a factor of 1.5, and in Cyprus by a factor of 1.7 (in 2002-2008). (http://eacea.ec.europa.eu/education%20/Eurydice/documents/key_data_series/134RO.pdf) For Moldova these amounts are much lower.

Higher education that includes education, research and innovation (the knowledge triangle) is a key sector in the economy and the knowledge society. Therefore, it must be competitive and promote excellence, as the Commission stated in its Communication of 2006 on modernizing universities. The Commission then proposed to achieve the allocation of 2% of gross domestic product (GDP) for higher education in the next decade.

Three elements are important for a modern higher education: it must be fair for all, financially viable and have a more effective role. Free national systems of higher education are not necessarily the most equitable ones because they favour people from socio-economically advantaged environments or those that have attended some form of higher education. In addition, their funding has not increased, unlike the number of students and the expectations of higher education. Benefits enjoyed by students are not fully offset by progressive tax a system, which leads to reverse redistribution effect.

There is an opinion that it is necessary to focus on investment in higher education, particularly through the introduction of tuition fees. These would allow a fair rebalancing of costs incurred by individuals and society, and the benefits enjoyed by each bringing additional funds to universities. Thus, would improve the quality of education, university management and student motivation.

But in order to guarantee universal access to higher education, the introduction of tuition fees should be compensated by financial aid for most disadvantaged people because they generally invest less in their future, while the personal returns are not guaranteed. This is particularly important when the amount of tuition fees is based on an estimate of the future performance indices. Therefore, to remedy this situation, there can be provided scholarships, bank loans and loans repayable by future revenues so as to encourage access to higher education.

Another factor influencing universities competitiveness can be considered the improved ***relationship between education and professional environment***. Education must integrate professional training, so as to make professional systems become more attractive and facilitate insertion of university graduates, who hold professional qualifications, in the workforce. This is all the more necessary as labour market needs have evolved, notably through an increased demand for more qualified workers. In addition, we must take into account other factors such as aging or youth unemployment; for example, the number of Europeans aged over 65 will increase by 65% by 2050, while the active population (15-64 years) will fall by 20%.

Thus, early intervention to increase participation in the education system and increase the education level is not sufficient to improve the employment prospects of employment.

Development of university autonomy is one of the above mentioned components of academic competitiveness (figure 1). It is very important for Moldova, which is making its first steps in this respect. Beginning with January 1st, 2013 for a period of two years, is in transition to university autonomy.

Aiming the university governance reform and modernization of university services in Moldova, we have carried out a study on the status of the financial autonomy of public universities in Moldova within the Enhancing the University Autonomy in Moldova (EUniAM) project. When referring to other components of university autonomy (organizational, academic, human resources) can be observed significant progresses, the situation of financial autonomy is far from being clear. The financial component involves reforming financial university management under conditions of university autonomy. Thus, we have identified several directions for Moldova.

Methodology for allocating budgetary resources. The calculation basis of means stated in the State Budget Law for the national educational services offered by institutions in accomplishing the Plan of training professionals (State Order), represents the amount of allocations approved in the previous year, adjusted to the financial implications in accordance with its approved policies in the Medium Term Budgetary Framework of the previous year and the factors that influence the volume of expenditure, state order and costs for new policy measures, eg. Government decisions on increasing salaries, scholarships, admission plan and implementation of

other activities. Nowadays the situation is more or less the same, even though we are searching for a transparent and fair methodology of allocating budgetary funds, calculating a student's price, depending on the field of study. There exists a wide experience in this respect. The problem is to find what is most suitable for Moldova.

1. *Sources of universities' income* have been expanded, and we can mention that we do not defer from many states. Universities have got the possibility of placing the bank deposit of the balance of resources available in the bank account, gained over estimations, excluding foreign grants, raising funds by participating in research projects investment based on cooperation with various national and international partners, including public private partnership; creating various units and subdivisions for research and innovation, development, design, services and production activities; establishing corporate unions and professional associations according to the law. (Government Decision nr.983 of 22.12.2012). Others, though declared, but currently still with no right of implementation, such as determining the amount of tuition fees that require coordination with the founder; establishing institutional programs and the capacity of institutional supply.

State allocation of funds to the Universities disregards certain performance indicators in the research and training activities. Being funded both by the State and own sources, the University manages its budget in accordance with the objectives, policies and programs approved by the Senate, respecting all legal requirements in this regard.

The share of state funding of universities is different. Thus, for the State Agrarian University of Moldova for 2010-2012 it is around 67%, the State University – 44.5% for the Technical University – 60%, for the Academy of Economic Studies – 30%. Private universities currently do not receive any state funding.

Private universities in the Republic of Moldova represent 44.2% of the total number of higher education institutions, but their role is less significant. Thus, if we talk about students, for the academic year 2011-2012, their share in private universities was 18.3% against 81.7% for public universities. Regarding the share of lecturers in private and public sector for the same year the ratio is 12.9% at 87.1%. For the academic year 2012-2013 the share of students in private institutions increased to 20% of the total students.

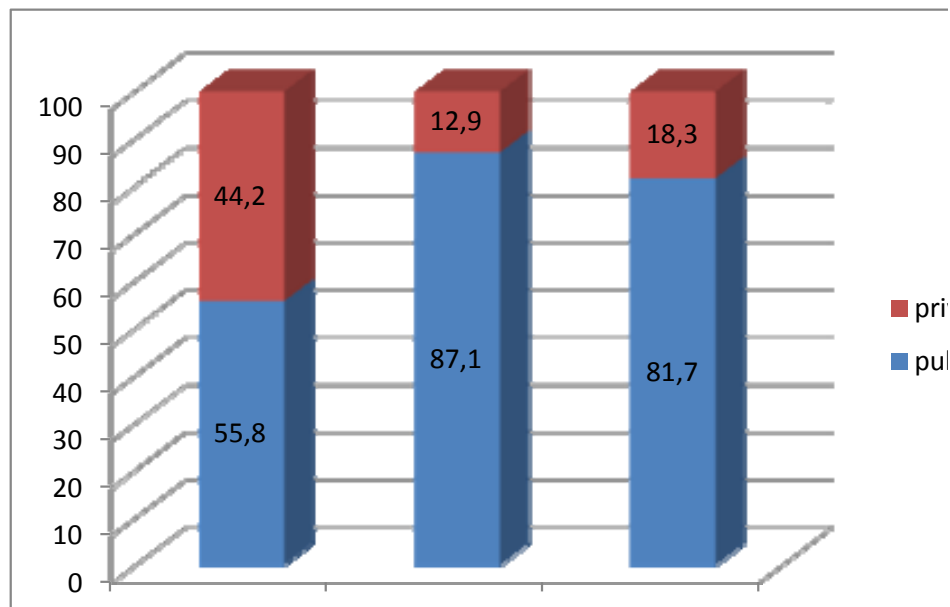


Figure no. 2. Indicators referring to public and private higher education in academic year 2011/2012,% (adjusted from by www.statistica.md)

Given the autonomy of universities, after the expiry of the transitional period (two years), we consider that it would be reasonable the introduction of universities funding based on indicators of quality system similar to that in many countries. In this case there must be elaborate a well thought indicators system, which would truly reflect the performance of universities. We believe that this would stimulate the efficient activity of higher education institutions.

5. Conclusions

- Competitiveness is the fundamental requirement for the success of any organization, including universities, which aims gaining and maintaining the market are of the offered products (services). Organizations providing similar products are in a permanent, ascending competition and cannot afford giving up on it, as loss of competitiveness would certainly mean bankruptcy and disappearance from the market.
- Analysis of normative acts, experience in the field, allowed us to state that today, in the Republic of Moldova, are not clearly defined the priorities, which would allow the completion of the fields of study that need to be

financed from public funds. In the same context there appears the question: What type of students should be financed from public money: the best or those who need subsidies? (socially vulnerable, disabled students, etc.).

- In financial terms, the Moldovan universities, at the present moment are not totally autonomous. According to the Government decision nr. 983, beginning with January 1st, 2013 universities are given autonomy, including financial, with a transition period of two years. Public financing of higher education institution does not take into account their performance. We can not say that there exist any certain criteria for money allocation, the main orientation being the actual costs, adjusted to the increases expected during the next for the following categories of expenses: salaries, utilities, scholarships. Public financing of university is done starting from its actual expenditures in the previous year and does not take into consideration their performance. There is no calculation formula to estimate the cost of a student. Allocations from budget are calculated out of the need to paying the employees, utilities, scholarships and other expenses necessary to maintain the functionality of the education system. Research financing is carried out of the project, on a contest basis and takes into consideration both, the salaries and payment of utilities, purchase of equipment. The source of funds allocated to specific research projects is the national body specialized in research and development –Academy of Science of Moldova.

- Universities assume responsibility for the public funds received. They must present quarterly reports to the Minister of Education the use of funds allocated from the state budget. Besides that, the Ministry of Finance and the Court of Accounts periodically perform audits and controls to check the correctness of the use of public resources allocated from budget.

- Universities could not use or capitalize financial balances. This is explained by the fact that tuition fees are paid at the beginning of the academic year. Many students pay their tuition in the last moment, is when they risk not to be allowed to pass the examination session. Examination session is in December. Obviously, universities were unable to use this money till the end of the calendar year. The possibility to keep the unspent funds and to report them from year to year represents an important aspect of the financial autonomy that universities can make use of. This flexibility offers universities the opportunity to create medium and long term strategies and allows financing multi-year projects, giving possibilities even to make investments.

- The size of tuition fees is below the actual cost of training professionals. Universities could not set their own tuition fees, they were fixed by the Government decision. After January 1st, 2013 these may be approved by the Senate decision and coordinated with the founder, but the founder (the State) still does not allow the review of tuition fees.
- Excessive state regulations also affect the payroll system. Imposing limits on personnel salaries forces many lecturers having several jobs so as to have a higher income.
- Universities have a certain freedom in offering salary supplements from the special sources. Each university has its own methodology of granting these supplements, but not all take into consideration the employees' performance.
- Unfortunately, there is still insufficient cooperation between the business environment and universities, especially in found raising.

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