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Herbst, Mikolaj

Univeristy of Warsaw, Centre for European Regional and Local
Studies (EUROREG)

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**BOTTLENECKS IN THE DECENTRALISATION OF
EDUCATION FUNDING IN POLAND**

MIKOLAJ HERBST,

UNIVERSITY OF WARSAW, CENTRE FOR EUROPEAN REGIONAL AND LOCAL STUDIES
(EUROREG)

ul. Krakowskie Przedmieście 26/28, 00-927 Warsaw, Poland

e-mail: mherbst@uw.edu.pl

Abstract:

Ten years after delegating the responsibility for school management and operation maintenance to local governments, the education funding system in Poland still faces open challenges of fundamental importance. Although the decentralisation of education is commonly considered a success, the particular mechanisms of funding and legal solutions are hotly debated and certainly far from perfect. The financial responsibilities of the central government and the local authorities are imprecisely defined, which provokes conflicts and tensions between the main stakeholders. Moreover, the Polish education system lacks even the basic standards describing an efficient way of service provision. The formula used to allocate the so-called education subvention to individual local governments is subject to endless political bargains and trades and hardly reflects any reasonable policy.

Recently, several ideas have been raised in the public debate in Poland on how to reform the funding of education. However, it seems that these heavily ideologised projects go far beyond the necessary changes and do not take into account either the complex context of decentralised education system or the experiences of other countries.

Legacies of the old order

After World War II and prior to 1990, the education system in Poland was a heavily centralised and politicised area of public policy. The structure of schools corresponded to the needs of the centrally planned economy, with a large number of specialised vocational schools subordinated to different sectoral ministries. Primary education, general secondary schools as well as universities were controlled by the Ministry of Education. With respect to primary and secondary schools, the Ministry performed its managerial functions through a network of provincial Education Offices (*Kuratoria*). The competencies of the *Kuratoria* were very broad, and included setting school budgets, hiring and dismissing school directors and imposing strict programmatic and political control on teachers and pupils (Levitas, Herczyński 2002).

Prior to 1990, vocational education prevailed over general secondary schools both in numbers and in terms of funding. In September 1990 the share of students receiving vocational training after completing primary education was 78%, while only 12% attended general secondary schools (*liceum*). Half of those attending vocational schools received only basic training, and did not qualify for the secondary education certificate (*matura*).

These figures, as well as the general shape of the Polish education system were about to change very profoundly in the period to come.

Decentralisation in three big steps

The milestone years for the decentralisation of education in Poland were 1990, 1996 and 1999 (see Table 1 for the summary of the introduced reforms). The first date indicates the reinstatement of territorial self-governments in the country. From the very beginning of their functioning, municipal governments became responsible for an important educational task –

maintaining and managing preschools. Starting from 1993 onwards, municipalities were also allowed to assume control, on a voluntary basis, of primary schools. Since 1996 the maintenance of the primary school network - both in terms of human resources and physical facilities became a compulsory task of local governments at the municipal level.

It must be emphasised that the decentralisation of education was not a single project restricted to the educational sector, but a part of a large scale reform aimed at restoring the territorial self-government in Poland. The collapse of communism in 1989 dramatically changed the shape and image of Polish politics, but in itself did not automatically alter the way in which the country was governed and managed. In the early 1990s Poland still remained a heavily centralised country with huge powers in the hands of bureaucrats educated and mentally shaped in the times of the old regime. The governing process was dominated by the division of competencies between particular ministries and other central agencies of the state, with little coordination and flexibility in their policies.

The former anti-communist opposition that came to power in 1989 considered that, given the circumstances, the quickest and the most effective way to reform the country was to decentralise it as deeply as possible, and therefore devolve the competencies from the old structures at central level down to the representatives of local communities. In this context, the educational reform should be regarded as a big political project and not only, or even not predominantly, as the reordering of the school system. In fact, the reform was accompanied by a hot debate and conflict between the experts supporting fast decentralisation and those dealing specifically with educational matters, who argued that inexperienced, weak local governments would fail to manage local education systems. The clash of those two approaches resulted in delaying the obligatory decentralisation of primary education, initially planned for 1993.

Another major step in the process of decentralisation came in 1999, when the maintenance and management of secondary schools, as well as of most non-school educational tasks (e.g. youth hospices, boarding schools, reformatories), became the responsibility of the newly created county (*powiat*) administration (EU NTS 4 level). Before this happened, in 1996 a pilot programme was launched, under which some largest Polish cities assumed the responsibility for running secondary education establishments in their territories. The programme lasted for three years and proved successful enough to convince the government to make the next step – decentralisation of the whole secondary education sector. This was accompanied by the profound reform of the country's administrative division, involving not only the creation of 379 self-governing counties, but also reducing the number of regions (EU NTS 2 level) from 49 to 16 and transforming them from central government administration units into hybrid entities, with some competencies remaining in the hands of central government regional representatives (*wojewoda* - voivod) and some transferred to the territorial self-government - the regionally elected council and the Marshall (*marszałek*) - head of regional administration (for the division of responsibilities after the reform see Table 2).

In the same 1999 also the shape of education system was changed. The three-tier path (8 years of primary school, 2-5 of secondary education, 4-5 years of tertiary education) became a four-tier one, with shortened primary school (6-year), a 3-year lower secondary school and shortened upper secondary school (usually 3-year cycle of schooling).

In 1996 Poland introduced two-stage funding of public education. As the first step, the funds are transferred from the Ministry of Finance to 2,500 municipal governments and (starting from 1999) to over 300 counties. Local authorities in turn are responsible for direct school financing. When distributing the so-called education subvention among local governments,

the Ministry of Education is obliged to take into account the size and specific features of their school networks. It is, however, not supposed to include preschools in the calculation, as this service is expected to be financed from own revenues of municipalities themselves.

The transfer from the central budget to local governments (which are school managing authorities) is done through a general (lump-sum) grant (called the education subvention), and local governments are entirely autonomous in their decisions on how this money is spent. In fact, they are even allowed to finance non-educational expenditures with the education subvention since it enters the local budgets as an “unmarked” grant. Adopting such a radically decentralised solution was aimed to increase the financial capability and autonomy of the newly created territorial self-governments and to dismantle old management structures relying on central administration.

Success story

From the perspective of 12 years that have passed since local governments took over primary education, decentralisation has to be regarded as a success. Despite the doubts and fears expressed by the experts in the early 1990s, local authorities in general proved to be responsible and effective managers of school systems. They have radically improved the capital base of schools and took responsibility for the difficult and politically painful process of optimisation of primary school networks. During the decade, they succeeded in closing over 5,000 schools (25% of their initial number) and introducing an effective bussing system for pupils.

Between 1996 and 2006, local governments spent approximately PLN 16 billion (EUR 4.5 billion at the current rate) on capital investments in schools and their environment. Those expenditures accounted on average for 6% of the total cost of schooling, with the rate

systematically increasing over time. Also other structural indicators support the view of a rational use of resources by most local governments. The share of wage expenditures in total recurrent costs varied in the period 1999-2006 between 66% and 75%, recently being close to 70%.

As revenues from the education subvention are commonly considered by local governments as insufficient to cover all necessary expenditures on education (more on this in the following sections), municipalities have been systematically co-financing schools from their own resources. In 2006, 37% of their expenditures on education came from sources other than the education subvention.

Decentralised education allowed for a relatively smooth introduction of the lower secondary school tier in 1999. This reform involved a substantial organisational and financial effort from local governments since it inevitably forced a serious reshaping of local school networks. Yet the implementation turned out to be quite successful and the number of social conflicts created by this occasion was considerably small.

The concerns about the impact of decentralisation on the quality of education also proved exaggerated or even utterly unjustified. Standardised testing introduced in Poland in 2002 has proved that educational quality is relatively uniform across the country, with the differences in average student achievement between cities and rural areas being much smaller than expected (Herbst 2006). Recently Poland has also significantly improved its average score in PISA tests, conducted every three years in most OECD countries (Paciorek, Wiśniewski, Szyrmer 2007).

Bottlenecks of Polish education funding

Ten years after transferring the responsibility for school management and maintenance to local governments, the education funding system in Poland still faces some open challenges

of fundamental importance. Although the decentralisation of education is commonly considered a success, the specific mechanisms of funding and legal solutions are hotly debated and certainly far from perfect.

From the very beginning, the local governments claimed that the resources they received from the central budget were insufficient to cover the necessary expenditures on schooling. Indeed, the recent data shows that the so-called education subvention accounts only for about 70% of what is actually spent at the local level. Still, as the Ministry of Education argues, the current arrangement fully respects the legal regulations. According to the Law on the education system, provision of public education remains the so-called own task of the local authority. The central government is obliged to provide local governments with revenues necessary to perform their tasks. It is however not obliged to include all these resources in the dedicated education subvention. Since public education is the own task of local authorities, it is financed from all their revenues and the education subvention is only one of the numerous sources of local money available within the public finance system. If so, it is impossible to conclude whether the education subvention is or is not sufficient, because no law states what costs it is supposed to cover. This 'catch 22' of Polish education funding system has been skilfully exploited by the Ministry of Education as it faced – and won - several court trials in which local governments accused it of underfinancing their educational tasks. Therefore, choosing a lump-sum grant as a form in which the education subvention is transferred to local governments, with the aim of strengthening their financial capacity, proved to be a double-edged weapon. With unmarked money, there is no simple way to verify whether what is transferred covers the actual expenditures.

Clearly, financial responsibilities of the central and local governments as well as the role of the education subvention are not regulated precisely enough, which makes all the actors feel they have been fooled. The problem is however more serious than choosing the right form of

funds transfer. The Polish education system lacks even basic standards defining the efficient way of service provision. The Ministry of Education does not declare what it considers a rational class size, the desirable student-teacher ratio or level of non-pedagogical employment at school. There is a well-developed system of curricular norms, equipment and physical conditions standards with respect to school buildings, but what the state perceives as an effective use of resources (both from the financial and instructional point of view) remains unknown.

Naturally, in a decentralised education funding system it is essential for local governments to have an autonomy in designing school networks and management of resources. What is needed is not a system of mandatory, executable norms of funding, but indicative standards that would help to draw a division line between the policies that the central authorities support (and commit to pay for within a certain grant scheme) and other approaches that still can be chosen by local governments, but with a weaker financial assistance from the central level.

For example, if the reasonable class size is set as 25, a local government may still want (for social reasons or to ensure higher quality of instruction) to maintain schools with smaller classes, and would have every right to do so. It will be however forced to contribute from its own revenues, as the amount of the education subvention for this local government will be calculated based on the standard of 25 students per class.

Without drawing the borders between the common state policy and its local modifications, one will be never able to judge whether the funding received by municipalities and counties from the Ministry of Education reflects their needs.

Dividing the education subvention

The education subvention, being the major source of education spending, is divided between the local governments according to the complex algorithm (formula), announced each year by the Ministry of Education. The algorithm is subject to endless political bargains and trades and hardly reflects any real cost differences between municipalities or schools. Currently it contains around 40 different parameters, with most of them having a negligible effect on the final distribution of resources. The Ministry has no clear policy on shaping the algorithm and defining its function – between the redistribution of funds to less endowed areas and its division according to actual cost differences. As a result, the education subvention does not perform effectively any of those functions.

The algorithm was introduced together with the education subvention in 1996 and in 2000 it took the following general form:

$$(1) S_i = A * \sum_{j=1}^k w_j N_{ij}$$

where:

S_i denotes subvention received by municipality i

A denotes the financial standard (estimated cost of education provision) per one pupil

w_j denotes weights attributed to k different categories of pupils

N_{ij} denotes number of pupils in category j and municipality i .

Initially the formula included 21 parameters referring to different categories of students. It was based purely on per student funding approach, with no direct reference to school maintenance cost or teachers salaries. The most influential parameter, explaining over 90% of variations in per student funding between municipalities, was the one assigning additional resources to rural local governments and small towns with populations under 5,000 (Herbst

2000). For the list of major parameters in the formula and their changes over time, see Table 3.

In the absence of a precise definition of the education subvention and its role in the system, and without any financing standards applied, the shape of the formula became very vulnerable to political pressures and demands of local governments. In the eight years that passed it proved unstable and evolved from quite a simple instrument into a much more complex and not very transparent algorithm. The number of parameters has been doubled (being increased from 21 to 41), which, given the structure of the formula, lowered the importance of each particular weight. What is however even more important is that the algorithm has gradually changed its character with respect to the criteria used for the distribution of funds. Initially the formula was, at least to some extent, the expression of state policy regarding provision and management of public education. Thus, although all important decisions in this matter were made by local governments, the formula included some clear incentives to them, e.g. rewarding for the optimisation of their school networks. It also contained some elements of fiscal equalisation, addressing support directly to the municipalities with a low tax base. Over time, due to the increasing pressure from local governments (claiming that they were receiving insufficient funding), the formula became focused mainly on reflecting the unit cost differences. The most important modification involved the direct inclusion in the formula (since 2001) the structure of teachers employed by each local government according to their formal qualifications. Following the law regulating teachers' wages (the so-called Teachers' Charter), the wages of teachers in Poland are highly diversified depending on the stage of their career, and therefore the composition of the teacher population strongly determines the cost of education provision by local governments. Between 2001 and 2004, the special coefficient reflecting average teacher qualifications entered the formula in an additive form,

just as all the other parameters. Thus, the general form of the algorithm (see equation 1) changed into:

$$(2) S_i = A * \sum_{j=1}^k w_j N_{ij} + D_i$$

where D_i refers to the component reflecting average teacher qualifications in municipality i as compared with the national average.

Since 2005, the formula component referring to teachers qualifications took a multiplicative form, so that now the formula looks as follows:

$$(3) S_i = D_i (A \sum_{j=1}^k w_j N_{ij})$$

The observed evolution of the algorithm to divide the education subvention among local governments thus relied on a gradual departure from the quasi-voucher approach, under which all funding was distributed on the “per student” basis, toward a mixed approach, in which funding criteria include both students and teachers as the main cost-drivers in education system. The most concerning however is not the change itself, but the fact that it did not result from any consistent strategy of the Ministry of Education, but was rather an effect of external pressures and chaotic adjustments to the dynamic political and financial conditions.

Further reform prospects

The problems with distributing the education subvention and defining its role in the system provoked a debate on possible more profound reforms in financing education . The proposed solutions are rather radical, and vary from a partial re-centralisation of the education system on one hand, to its funding exclusively from the own revenues of local governments on the

other (see Table 4 for the review of the proposed reforms). It must be said however that all of them are general, political ideas, discussed in the media or declared in political debates, rather than carefully elaborated, ready to implement projects.

Surprisingly, the idea of partial re-centralisation of education funding and provision seems to be expressed and supported by some local governments in Poland. It should be considered as an act of desperation of those municipalities and counties whose expenditures on education substantially exceed the revenues from the education subvention. Their reasoning is as follows: if the state is unable to provide sufficient funding, then it should take back the responsibility for schooling or at least for employing teachers and paying them. Benefits of decentralisation are questionable if the delegation of tasks is not followed by adequate transfers of funds.

In practice, such re-centralisation of education funding might be quite similar to the solution applied in Lithuania, where the provision for education is divided into managing the educational process (teachers and non pedagogical staff) - provided and funded directly by the central government) and maintaining the educational environment (school buildings, materials, equipment) – being the responsibility of local authorities.

In reality however, even partial re-centralisation of education in Poland is very improbable. The declarations in favour of such solutions should rather be treated as a form of political pressure on the Ministry of Education to increase funding through the education subvention.

Another publicly announced project is the marketisation of public education by introducing a common voucher scheme for all schools in the country. The amount of funding that a school receives would be directly dependent on the number of pupils it is able to attract. Such an approach became a part of political programme of Civic Platform (PO), the party which won the parliamentary elections in 2007. Liberal politicians and experts argue that competition for pupils will lead all schools to improve their quality and although some of them will eventually

lose in the competition and fall out from the market, this will happen mostly to low quality schools that should be closed anyway.

After a deeper analysis however, the voucher scheme seems to be much more difficult to apply and its effectiveness as the main education funding instrument becomes questionable. In Poland, similarly to other countries, the unit (per student) cost of school maintenance varies dramatically between different schools and localities. A large part of this variation is due to objective factors (such as settlement patterns, specific needs of certain school profiles) beyond the control of the managing authorities. What would be needed to reflect this diversity is not one voucher, but several different vouchers for particular types of localities and schools. This however seems to be inconsistent with the core of the voucher idea, according to which the amount per student should be uniform, and the shape of the school network should be decided by the market.

The consistency of the common voucher idea with decentralised education management is even more problematic. Implementing vouchers as a mandatory funding instrument would automatically and very significantly limit the autonomy of local governments in managing their schools. That is, marketisation of schooling may be contradictory to its decentralisation, considered as one of the biggest successes of transitional reforms in Poland.

For those reasons vouchers are recently much less debated and supported than they were during the election campaign of 2007.

Finally, the third discussed direction of reforms involves further decentralisation of education funding. According to some experts (Malinowska-Misiąg, Misiąg, & Tomalak, 2008), local governments should finance their schools mainly from own revenues, and either the funds transferred through education subvention need to be drastically reduced or even the instrument itself should be abolished.

A fundamental obstacle in the implementation of this plan is an uneven territorial distribution of the tax base in Poland. According to 2006 data, if the education subvention is set to zero without any compensation to local governments, only 40% of municipalities would be able to cover the recurrent cost of education in their territory, and even this provided that they would not have any other tasks to finance.

The simplest way to increase own revenues of local governments is to increase their shares in personal and corporate income tax. Still, there is no way to ensure that such additional revenues would be sufficient to cover the cost of education provision. Even if the municipalities receive 100% of personal income tax collected from their territory (which obviously is not very realistic), for a vast majority of them (including practically all rural areas) this amount would be substantially smaller than the education subvention they receive now (Herbst, Herczyński, & Levitas, 2008). This means that relying on own local revenues as the main source for education funding is impossible without creating another redistribution instrument, that is – another education subvention, in order to secure equal access to education for pupils in different areas of the country. As a result, local Poland would be divided into affluent areas, which would fund education mostly from own revenues, and poor localities, totally dependent on transfers. In Poland, this division would additionally have a strong geographical dimension - as the border line will in reality separate the urbanised west from the underdeveloped east of the country. From the political point of view, no to mention the equity of the education system, such a situation would be hardly acceptable.

Poland faces the need to reform the current education funding system by adjusting direct mechanisms of financing and clearly defining the responsibilities of different stakeholders. However it seems that the ideas of reforms announced in public debate go far beyond the necessary changes and attempt to revolutionise the system. These ideologised projects do not take into account either the complex context of decentralised education in Poland or the

experiences of other countries. For these reasons they probably will never be implemented. Instead, there is a need for a deliberate modification of the current system, based on a careful analysis of its bottlenecks and limitations.

Table 1. Calendar of the decentralisation of education in Poland

Date	Educational task	Overtaking institution	Accompanying reforms
1990	Management of preschool education	All municipal governments	Reinstatement of municipal self-governments, first local elections
1993	Primary schools	Municipal governments (voluntarily)	
1996	Primary schools	All municipal governments	Introducing two-stage funding of education
1996	Secondary schools	Largest cities (voluntary pilot programme)	
1999	Secondary schools	All county governments	Introduction of counties in the administrative division of Poland. First elections to county councils

Table 2. Division of tasks in the Polish education system after decentralisation

Task	Ministry of Education	Regional Education Office (<i>Kuratorium</i>)	Central Examination Committee	Regional government	County government	Municipal government
Curricular norms, standards	X					
Pedagogical supervision		X				
Standardised tests			X			
School maintenance, network management				Specific professional schools (e.g. teacher training)	Most upper secondary schools, most non-school educational institutions	Preschools, primary schools, lower secondary schools
Capital expenditures				Selected schools (e.g. teacher training)	Most upper secondary schools, most non-school educational institutions	Preschools, primary schools, lower secondary schools

Table 3. Selected criteria and weights applied in the 2000-2007 formula

Category of pupils	Assigned weight as a percentage of “standard” pupil		
	2001	2004	2007
attending schools in rural areas	133%	151%	138%
attending schools in towns under 5,000 population	118%	128%	138%
living more than 10 km from school	115%	100%	100%
in municipalities with revenues per capita below 60% of national av.	110%	104%	100%
in municipalities with revenues per capita below 92% of national av.	100%	104%	100%
blind pupils	200%	250%	290%
	teacher qualifications component		
teacher qualifications (structure)	-	additive	multiplicative

Source: Herczyński, Herbst, Levitas (2008)

Table 4. Possible directions of reforms in Polish education funding

Direction of proposed reform	Supporters	Details
Partial re-centralisation	Local governments with low own revenues and high costs of education in relation to received subvention	Central government might take over selected tasks from local authorities and fund it directly. This refers especially to the salaries of teachers and non teaching staff, generating 70% of recurrent costs in education
Voucher scheme	Ruling political party (Civic Platform)	Individual schools receive grants from central government based on the enrolment figures, according to the “money follows pupils” rule. Some argue that under such a scheme the competition for students will lead to the elimination of low quality schools.
Funding from local own revenues	Large cities, ruling political party	Instead of transfers from the central budget, the local education systems are financed mainly from own revenues of municipalities and counties (local taxes, local shares in income tax)

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