

Education and Inequality: Liberating Schools in Bulgaria



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PETAR
GANEV

It is January 2014. After winning a couple of regional competitions in informatics with the highest score in the country, a 12-year-old boy from Smolyan, one of the poorest regions in Bulgaria, is about to go to the National Olympiad. However, instead of competing on a national level, the boy is disqualified and all rewards from previous competitions are taken away for him. He did not cheat. This kid was dis-

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qualified because he was homeschooled – one of a few elusive homeschoolers in Bulgaria and probably the only one in Smolyan. Back at the time, three years ago, such an alternative to the classical school system was not allowed in Bulgaria and homeschooling was considered illegal. This is still the case in most of the countries in the region.

In response to this controversial situation, the mother of the boy publicly stated that the state monopoly in education had been inherited from the communist years and should have been forgotten long ago. She added that the modern school envi-

ronment in the country is degrading¹. If we look at the performance of Bulgarian schools in international rankings, it is hard to oppose her view. One can play with rhetoric, but Bulgarian schools are falling way short of expectations.

Why is this story important? Because it shows the relation between the different opportunities and inequality in the poorest member of the EU and the process of opening up (liberating) schools in Bulgaria for alternatives and informal methods, for innovation and competition, for the local community and businesses. It is a difficult process that started with the reform in 2007–2008 and has continued with the new educational law adopted at the end of 2015 (replacing legislation from the early 1990s).

Nevertheless, four main challenges still lay ahead of the Bulgarian education system: 1) autonomy; 2) flexibility and choice; 3) involvement; and 4) practical skills. One way to look at these issues is to investigate the income distribution in the country, focusing on poor households and the middle class, and evaluate policy shortcomings in light of poverty data and the social dynamics in Bulgaria.

EDUCATION IS KEY

In 2014–2016, the Bulgarian Institute for Market Economics (IME) conducted extensive research on poverty and the main factors that differentiate social and economic status in society. We used detailed data from EU statistics on income and living conditions (EU-SILC). Moreover, the Bulgarian National Statistical Institute (NSI) provided us with all the individual responses for Bulgaria, which gave us the opportunity to explore in great detail the issues of poverty and inequality in the country in

¹ http://www.dnevnik.bg/detski_dnevnik/2014/01/08/2215937_ministerstvoto_otnelo_nagrada_na_momche_spechellilo/

the last several years. Our research identified three factors that lead to poverty in Bulgaria: education, economic activity, and regional status. While they are all of great significance and remain interconnected, our findings show that education has the biggest impact on living conditions in Bulgaria. Education also predetermines the economic status, as there is a very strong relation between educational level and the dynamics of the employment rate.

A FEW METHODOLOGICAL REMARKS

To investigate the main factors that lead to poverty and inequality in Bulgaria, IME constructed an “income distribution curve” (Figure 1), which represents the income of every citizen. On the x-axis we placed several income brackets, while on the y-axis the number of people that fall in every bracket. In this way we may see the entire distribution of income in the society. As a consequence, there are two significant aspects that shall be mentioned.

First, income is understood as “equivalized disposable income”. According to Eurostat methodology, the equivalized disposable income is calculated from the total disposable income of each household (all monetary incomes included) divided by what is called the “equivalized household size”. Thus, the equivalized disposable income is attributed equally to each member of the household, so there is no income difference within a household. This approach represents the basic view that poverty should be explored on a household level because living conditions are formed on the household, not the individual, level.

Second, after testing the data, 26 income brackets were formed, so that a meaningful income distribution is presented. Having fewer brackets means that some of the differences will be hidden, while having more means that the curve is not smooth and the



THE POVERTY RATE IN THE GROUP OF PEOPLE WITH HIGHER EDUCATION IS BELOW 5 PERCENT

analysis problematic. The distribution in 26 brackets leaves us with five brackets under the poverty line. The curve closes after the 26th bracket, leaving a small portion of the wealthiest out of the graph.

INCOME DISTRIBUTION CURVE IN BULGARIA

With that in mind, we can construct the income distribution curve for Bulgaria (Figure 1). The poverty line is also presented at the graph as around 20 percent of the population is below the poverty line or at risk of poverty. Most people are concentrated near and immediately after the poverty line – these are mainly elderly people and pensioners. The visible spike on the way down the curve about twice the poverty line (where the big chunk of employed people falls) is the effect of people working in the capital city Sofia – this is the regional aspect of the issue, as wages in Sofia are much higher than elsewhere in the country [See Figure 1].

The data enable us to divide the income distribution curve by education, economic activity, and regional status. Since education is the leading factor for income inequality in Bulgaria, it shall be the focus of this analysis. In Figure 2 we can see the income distribution curve with the people divided in four education groups: 1) pri-

mary education; 2) lower secondary (basic) education; 3) secondary education; and 4) tertiary (higher) education. The difference in income levels is easily visible and the risk of poverty rate severely increases with a drop in educational level [See Figure 2].

Let us investigate the income distribution curve for the different levels of education. Looking at the group with higher education (Figure 3), it is clear that their performance is far better than the country average. The poverty rate in the group of people with higher education is below 5 percent. We also see that the distribution is much more equal even as far as two or three times above the poverty line. On the basis of the labor market data² we know that, in 2015, employment of those with higher education was as high as 84 percent (in the 15-64 age group) and has never dropped below 80 percent – even during the economic crisis (2009-2010). In other words, those with higher education in Bulgaria are almost always employed and are not among the poor in the country [See Figure 3].

The next group is those with secondary education. Their poverty rate is around 13 percent, almost three times the rate for those with higher education. However, it is still far behind the average for the country. In 2015, the employment rate in this group was around 67 percent. It is important to know that this is by far the biggest educational group in the country (more than half of the employed), so their performance is crucial for the condition of the middle class. Figure 4 shows that the majority of people with secondary education are a bit ahead of the poverty line, but the group quickly diminishes in the higher income brackets [See Figure 4].

The picture changes dramatically when we present those with lower secondary (basic) education. This group is similar in size to the one with higher education, but is far behind in the income brackets. The poverty rate for those with a basic education is around 37 percent, seven to eight times higher than for those with higher education. In 2015, the employment rate of those with basic education was around 32 percent. In other words, those who have only finished 8th grade and never completed secondary education are two-thirds of the cases without a job, and at least a third of them are in poverty. [See Figure 5].

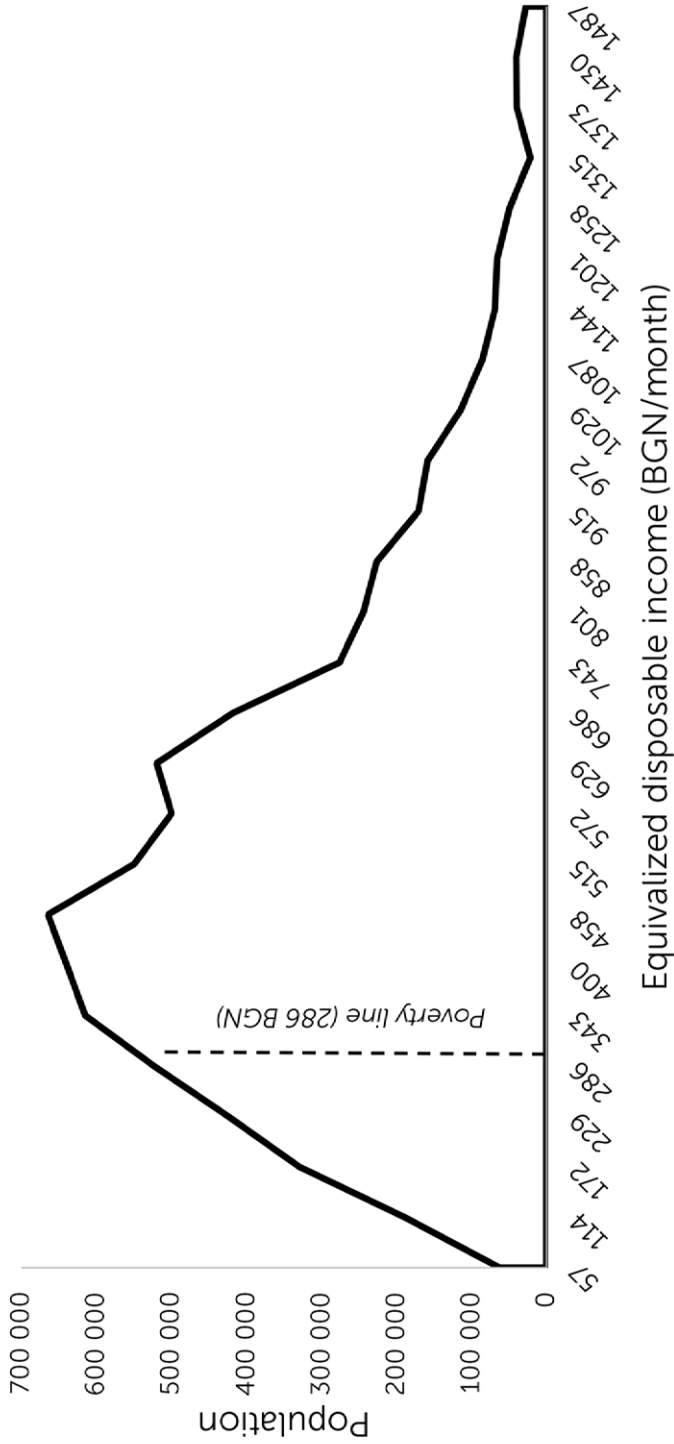
While those with preliminary or even lower education (Figures 5 and 6) constitute a relatively small group, their performance is extremely bad. With an employment rate of less than 20 percent (2015) and poverty rate up to 60 percent, those with just primary education are facing challenges on a completely new level. This is the group where the dynamics between the income brackets is the lowest, meaning that most people in it experience long-term unemployment and remain in deep poverty. [See Figure 6].

TAKEAWAY FOR EDUCATIONAL SHORTCOMINGS

While all these findings may seem obvious, they are often neglected in inequality debates and not properly observed when the educational system of the country is discussed by experts or in parliamentary debates. Using the data presented so far and applying it to the modern educational challenges, we can formulate what should be achieved as far as education policy is concerned to improve the economic performance of those at the bottom of income distribution, as well as the so-called “middle class”. Note that educational levels are understood here as knowledge to be obtained, not as classrooms to be filled – this distinction is important as it opens up the discussion for a wider range of solutions.

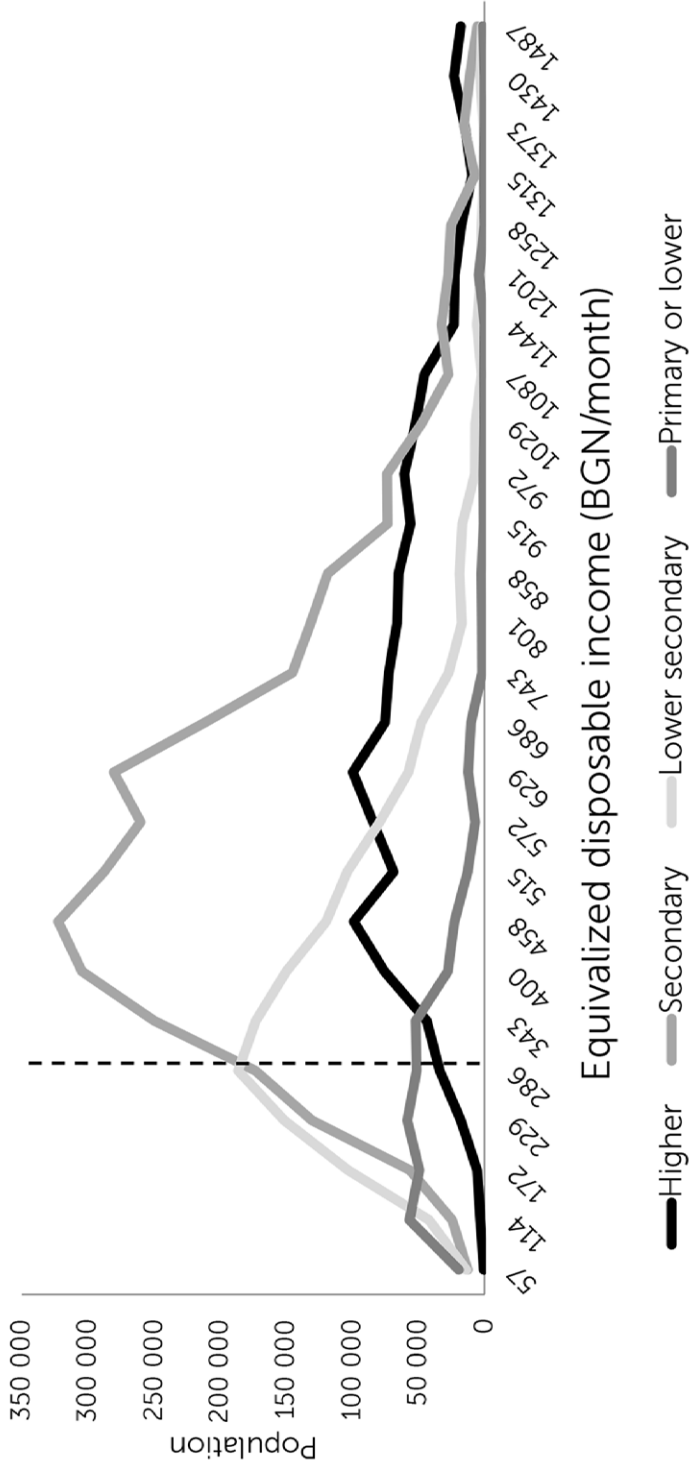
² National Statistical Institute, Bulgaria.

Figure 1: Income distribution curve (Bulgaria 2013)



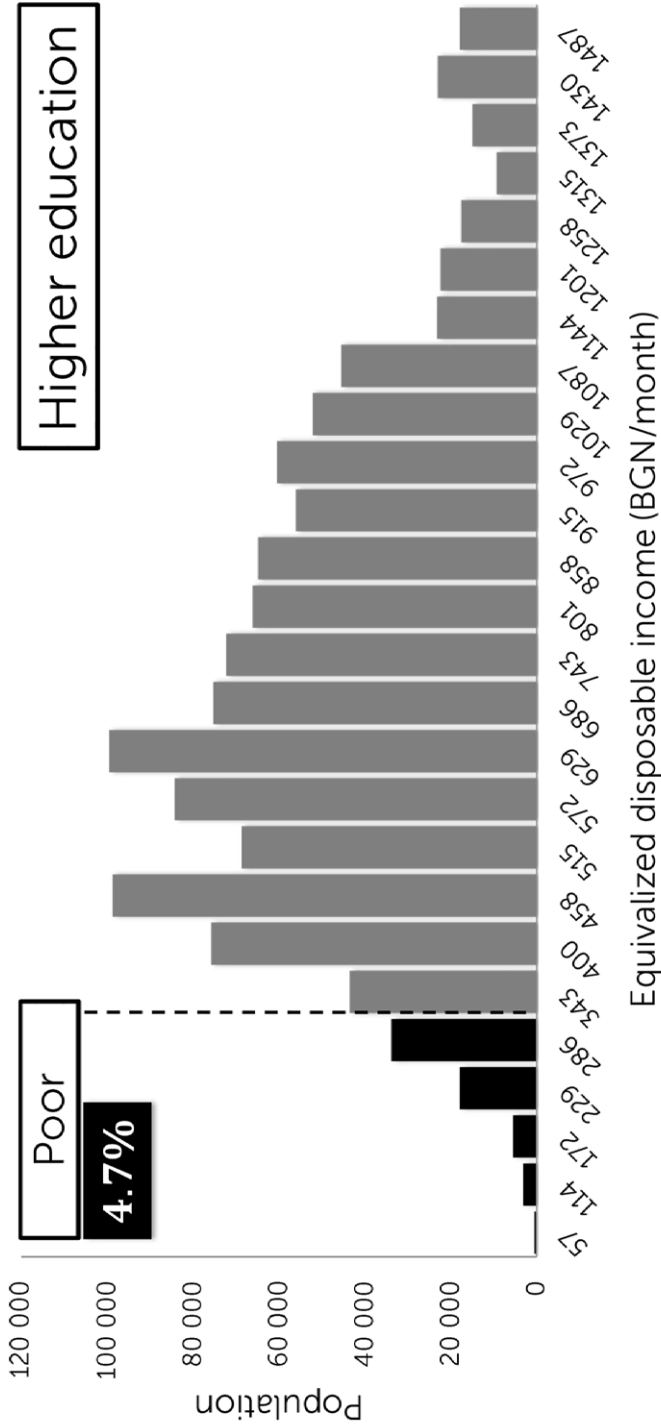
Source: National Statistical Institute (Bulgaria), IIME

Figure 2: Income distribution curve by education (Bulgaria 2013)



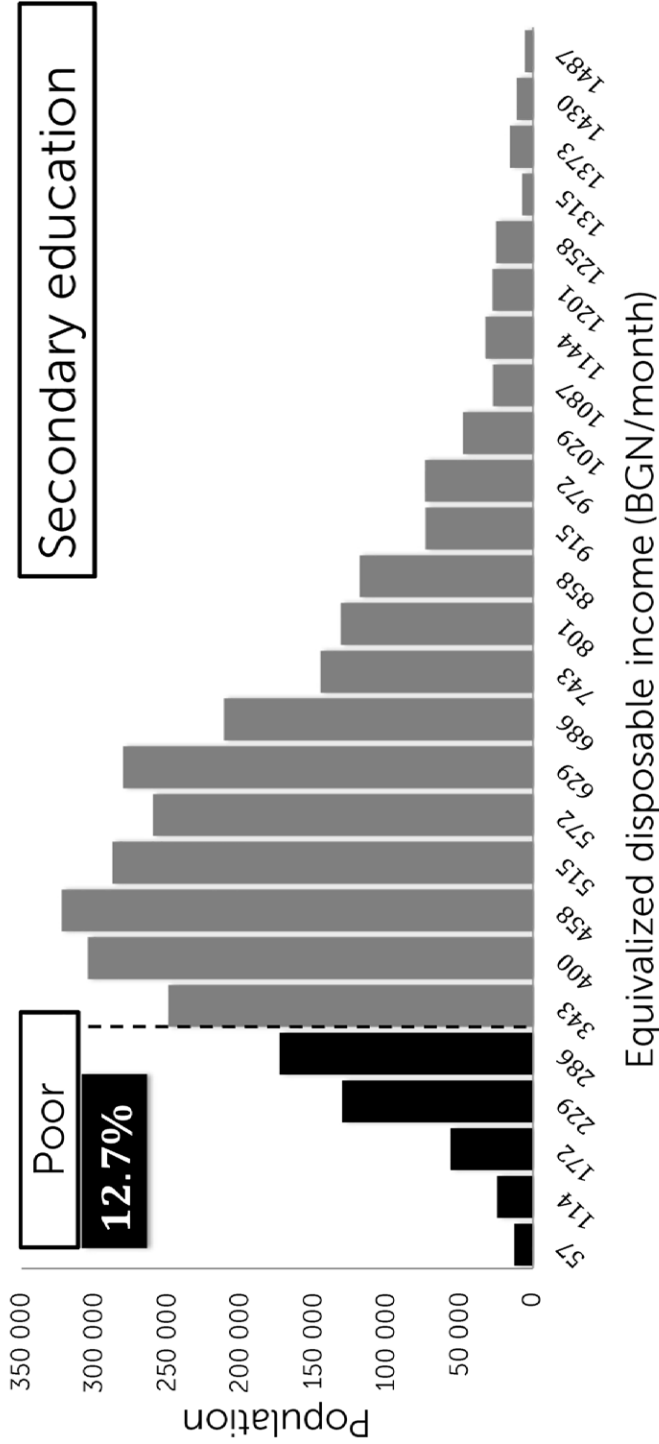
Source: National Statistical Institute (Bulgaria), IIME

Figure 3: Income distribution curve – higher education (Bulgaria 2013)



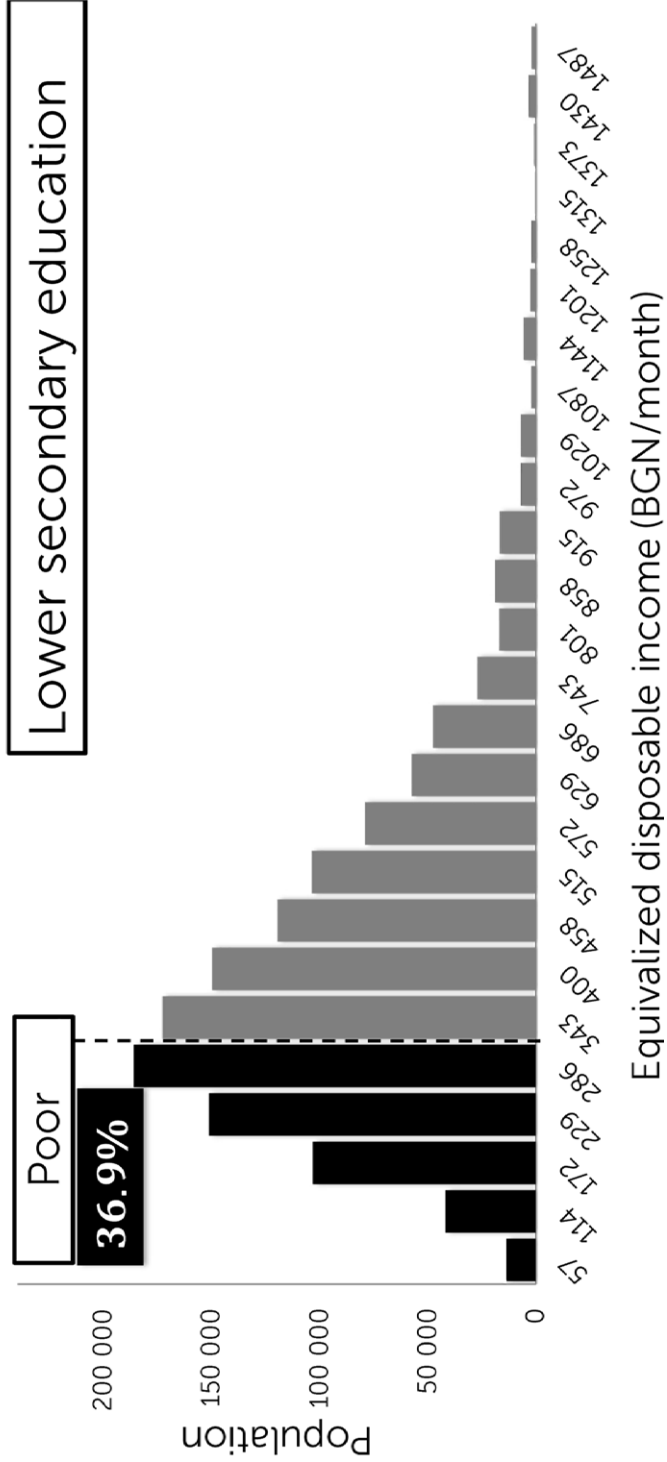
Source: National Statistical Institute (Bulgaria), IME

Figure 4: Income distribution curve – secondary education (Bulgaria 2013)

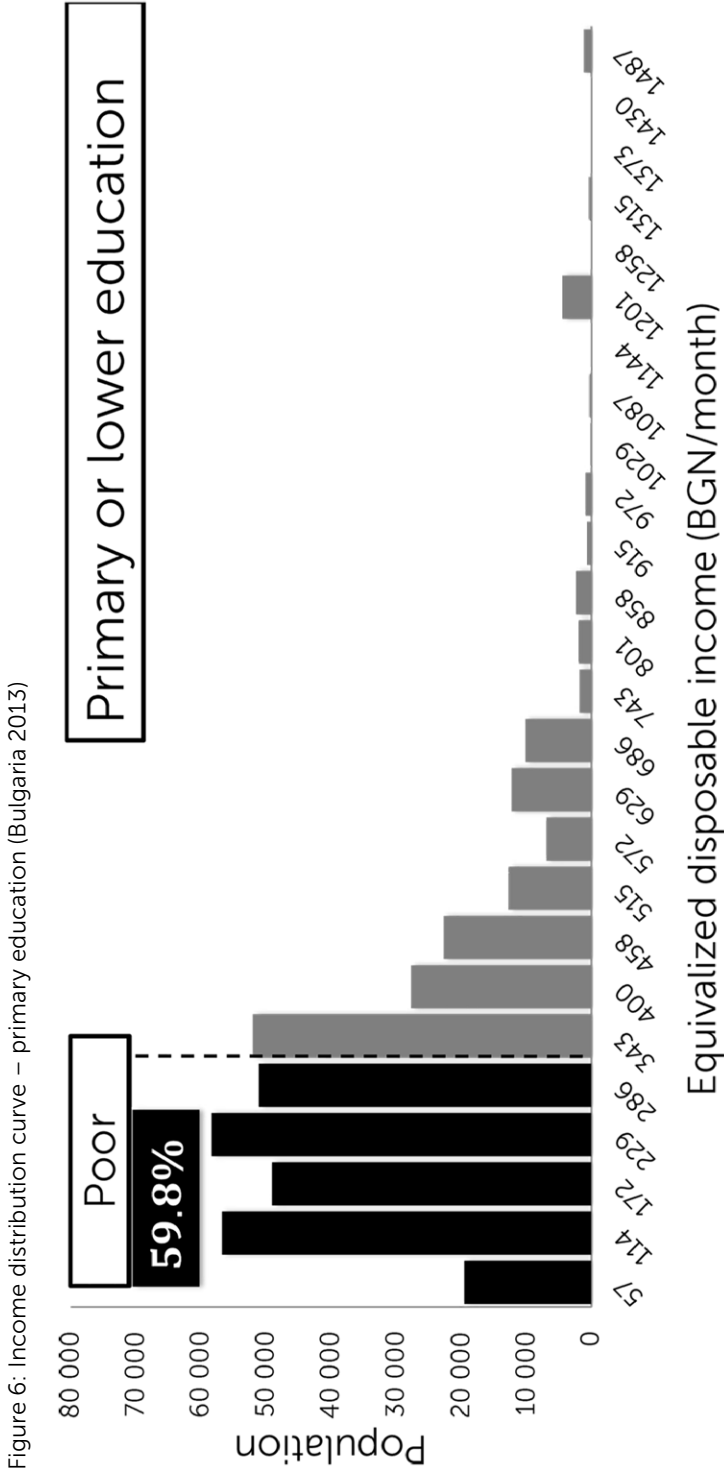


Source: National Statistical Institute (Bulgaria), IME

Figure 5: Income distribution curve - lower secondary education (Bulgaria 2013)



Source: National Statistical Institute (Bulgaria), IME



Source: National Statistical Institute (Bulgaria), IIME



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First, the group of those with just primary education shall be eliminated. There is a need for full coverage of basic education, meaning that all kids must reach at least 8th grade (or the respective level of knowledge). This is not just legally written in the Bulgarian Constitution³. The economic reality also shows that if you do not reach 8th grade, you will almost certainly face long-term unemployment and most probably be at risk of poverty. In other words, full coverage and no dropouts (from education, not strictly schools) at early stages of education are crucial.

Second, a deep reform in the elementary lower secondary education, or what is usually referred to as “ordinary schools”, is much needed. Here the system is failing: this group will always be big in numbers, but their economic performance in Bulgaria is very poor – two-thirds of them are not working. The main problem is that their skills are inadequate to the needs of the labor market. Finishing elementary school in 8th grade in Bulgaria must mean that a child has at least the basic knowledge and competences to adjust to modern economic life. Bulgarian educational system falls short in this regard.

Third, secondary education should be to a large extent interconnected with the labor market. This means that schools and businesses should be able to work together. While those who go to secondary education will most probably find job in Bulgaria, their income seems to be limited and they are vulnerable to economic fluctuations. In recent years (especially after 2015), the disconnect between secondary

³ “School attendance up to the age of 16 shall be compulsory”; Article 53 (2) of the Constitution of the Republic of Bulgaria. Available [online]: <http://www.parliament.bg/en/const>



AT PRESENT, WHILE MOST OF THE SCHOOLS IN BULGARIA ARE MUNICIPAL SCHOOLS, THEIR GENERAL FRAMEWORK AND FINANCING COMES FROM THE CENTRAL GOVERNMENT

schools and businesses is clearly visible, with around a third of the companies being unable to find a qualified workforce.

ADDRESSING THE CHALLENGES

If we look at the abovementioned goals, which are derived from the income data of households, we see that these issues go beyond purely educational policy. Those are challenges that occur chiefly in the sphere of family, local community, and business involvement. Let us therefore investigate the four main topics in Bulgarian schools that were touched upon by recent educational reform, but still pose some problems.

AUTONOMY

One of the main issues in Bulgarian education system is the autonomy of schools. Historically, the Bulgarian school has

a long tradition of being completely autonomous, backed up by local communities. This tradition was lost under communism. At present, while most of the schools in Bulgaria are municipal schools, their general framework and financing comes from the central government. Thus, it is still the case that the most important figure in Bulgarian schools is not the teacher nor the principal, but the respective minister in the cabinet.

However, during the last 10 years, some steps were taken in the direction of decentralization. After 2008, Bulgarian schools received their own budget (the “delegated budget”), which depended on the number of pupils in a given school. This was not only to introduce a clear rule of how the budget of a single school is to be formed, but also to shift power over the budget from the local authorities directly to school management. While schools still depend on the government to receive funding, they at least have control over these resources once they receive them. Since then the financial situation of Bulgarian schools has significantly improved. The budget of each school is no longer subject to short-term political decisions and depends on the (quantitative) performance of the school – number of pupils, dropout rates, etc.

In 2008, the system of “external evaluation” was also introduced. It evolved through the years and at present is giving quite a good overview of the quality of education in Bulgarian schools. While the results are in many cases troubling (hardly a surprise), the system allows us to differentiate among schools and see which ones are doing better and which are falling behind. It also gives an opportunity to further open the system where the focus will be on knowledge itself and not on the type of education, curriculum, or anything of this kind.

Since 2008 we could observe that there emerged some competition among schools and quite a few of them are open to some innovative ideas – especially private schools, which are still a minor share of the market. Nevertheless, the system is still rigid when it comes to textbooks and teaching methods. Moreover, the process of collective bargaining has completely dominated the employer-employee relation and leaves little room for management to differentiate in pay, reward success, or invest in young teachers, as well as to sanction the lack of results. Although Bulgarian schools have their own budgets and are going through external evaluation, these are just preconditions and not what real autonomy in education should look like.

FLEXIBILITY AND CHOICE

With the introduction of delegated budgets, schools in Bulgaria are predominantly financed on the basis of unified per student standards. In practice, this is supposed to lead to competition and effort (every school is expected to want to attract more students and have fewer dropouts), as well as to empower parents' choice – as a child can move to another school and the financing will go with him/her.

Although in some aspects this system is similar to the voucher system, it is not the same. If parents decide to move their child to a private school, the money will not follow – which means that financing is still targeted at funding public schools and not education itself.

The new education law foresees that private schools will also be part of that scheme, which means that Bulgaria is moving closer to the voucher system. Still, the financing reform will take effect in 2018 and there are some "social" obligations for the private schools to deliver if they want to participate in full. In any event, it is exactly the private schools that are most open to

introducing innovation and are on top of every external evaluation. Private schools are also in position to have a less rigid employer-employee relation, thus encouraging good teachers and punishing bad ones. That is because they do not face all the restrictions that public ones do. Still, at present, their effect is limited, as the financing model discourages such a choice. If, with the new almost-voucher system they can play a greater role, we may expect some positive impulses for the whole system.

INVOLVEMENT

There are quite a few examples from recent years which show how non-public actors (e.g., non-profit organizations and private individuals) can help schools. It seems it is not predominantly a question of financing, but more of citizens' energy and openness of the educational system for such solutions. A good example of this phenomenon are dropout cases that occurred in one of the poorest regions in Bulgaria.

Kozloduy is a small town located near the Danube river – part of the Vraca district, which is a region with rapidly deteriorating demographic conditions and few opportunities for young people. This is also a region with a troubling rate of school dropouts. What will be a usual sight is that sooner or later some of the pupils just stop showing up at school. This will be the children who are living not in the regional center, but somewhere in the periphery. What is even more troubling is that the parents of these students do not care enough about school and may even encourage a dropout – again, these are usually extremely poor families, with parents being uneducated and long-term unemployed.

We know from several sources⁴ that the schools will most probably not report the dropout immediately. Due to the delegated

⁴ See for example the investigation by NOVA

budget, they will prefer to keep the child on their list as that means they receive more money. Nevertheless, sooner or later the dropout will be reported to the regional inspectorate of education. Now, while some policies can be shaped to give incentives for a family not to encourage a dropout, the government officials will have limited chance of resolving the issue. They can use some form of the carrot-and-stick approach (exploiting some rules for receiving public allowances), but with almost no long-term effect.

What happens in some regions, and in Kozloduy, is that the inspectorate will pass the papers of the dropout to a special non-profit organization which deals with such cases. Such an NGO would then train volunteers from the region (some of them from local schools) who will visit the family of the dropout and talk to them repeatedly, explaining how *cool* it is to be back in school. And this works – not just in theory, but in practice – as in the case of some dropout kids from Kozloduy.

The take-away from this story is that a) such an issue is extremely time-consuming and it takes a lot of effort from the local community to solve it, and b) the system must be open to such a solution. If the school does not care or the inspectorate is closed for the non-governmental sector, none of this will actually take place. Being open to non-public-sector solutions should not be dependent on the openness of a particular public servant, but rather be rooted in the very heart of a policy.

PRACTICAL SKILLS

One of the other deeply rooted problems in Bulgarian education is the disconnection between education and businesses. In

2016, we hit record high levels of companies (one-third) that want to hire a specialist but are unable to find one. At present, Bulgaria is about to introduce a full vocational education system which gives some hope for change. The professional schools play an important role in Bulgaria, as they not only engage lots of children, but also these are usually the kids who are not from the city center (so mainly members of poor and middle-class families). Many troubled children, from families with serious economic difficulties, actually go to professional schools, which makes them extremely important from a social point of view.

While vocational education will create greater opportunities for these professional schools (at least because of the financial instruments available and the improved framework) some challenges remain. We still see local communities struggle to find the best form of coming together in planning what kind of classes will be needed in the coming years. There are plenty of examples of initiatives⁵ to open new or develop existing high-tech professional classes that fail because the locals did not succeed in finding children who would want to join them. Again, this is not a simple technical issue that just needs an adequate top-down solution. It is much more complicated than that, as regional demographics and challenges should also be considered.

Still, we see that those who are trying to bring together businesses and school management are performing better – even though in the end they sometimes fail. There are many instances when it is the schools that are not willing to cooperate. In Plovdiv (one of the best economic exam-

TV (4 January, 2017): <https://nova.bg/news/view/2017/01/04/169859/>

⁵ In the last three to five years, almost in every region in Bulgaria there was a case of closing a particular professional class due to lack of students.

ples in the country in the last few years as far as foreign investments are concerned), this was exactly the issue. Once again, the solution came from outside the system. The local community – businesses and experts – created what is now called an Education and Industry Board, which works for more adequate classes in local schools and pressures school management to be more open to new ideas. Other regions (like Gabrovo, which has an industrial profile) are thinking of replicating this initiative, together with the full introduction of the vocational education.

LIBERATING SCHOOLS

IME's poverty research clearly shows that education is the key to escaping poverty and creating a stronger middle class. While the Bulgarian schools were reformed in recent years, there are still many challenges that lay ahead. The autonomy of schools is still problematic. While they have their own budget, schools need to follow strict rules of how and what they teach, and the employer-employee relation is, in practice, socialistic due to the rigid collective bargaining in the system. Alternatives to the ordinary public schools (such as private schools or homeschooling) were largely neglected or forbidden until very recently. Vocational education is finally being introduced in full, but it is still dependent primarily on the good will of the school management.

All of the abovementioned good examples (like the smart homeschooler from Smolyan or the young volunteers from Vratsa, or the educational board in Plovdiv) were non-systematic solutions. They all fixed one or another *bug* in our educational system, but were not, strictly speaking, part of the system. Education in Bulgaria cannot be transformed by an act of a single institution or by a change in law alone. The solutions that are to be found depends on the



BULGARIA IS ABOUT TO INTRODUCE A FULL VOCATIONAL EDUCATION SYSTEM WHICH GIVES SOME HOPE FOR CHANGE

society at large and what the question is. The only question that remains is whether the schools will be open for them.

The idea of liberating schools goes beyond the classical "private versus public" debate. In the modern EU-type welfare state, it is hard to expect a full swing toward education privatization. But that alone is not an obstacle for opening up the system for all kinds of alternatives, introducing competition between public and private schools, and allowing for solutions such as homeschooling. It is also not an obstacle for opening up schools for local community and private investments. ●



PETAR
GANEV

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A Senior Economist at the Institute for Market Economics (IME) in Sofia, Bulgaria, since 2007. His research interests focus on economic growth and the business cycle, fiscal policy and the role of government, free markets, and inequality. He is also a board member of the Bulgarian Macroeconomic Association and an author of numerous articles in Bulgarian media. He is also responsible for the educational initiatives of IME.