

EDITORIAL

HUMAN CAPITAL PERSPECTIVES ON EDUCATION MARKETS, STUDENT DECISION PROCESSES AND THE MARKETISATION OF EDUCATION

Lynne Eagle, Marketing Group, Department of Commerce, Massey University at Albany

"The reforms of today give rise to the evils of tomorrow. That is the history of the human race" (Kristol, 1995:72)

This special edition of *ACCESS: Critical Perspectives on Cultural and Policy Studies in Education* is focused on the impact of education reform policies which began development during the latter part of the 1980s, implementation in the 1990s and continue to impact the tertiary sector in the new millenium. These policies resulted in a major restructuring of the education sector and have their foundations in a much wider economic restructuring which has occurred as part of the 'New Right Revolution'. Lauder et al (1990:1) suggests that this wider restructuring has changed the relationship between the state, the economy and society. Special emphasis is placed on the tertiary education sector in this collection of papers.

The 'New Right' is a popularist term which came into being in the late 1970s to describe the new political constitution which had been developed by Margaret Thatcher's government. It was subsequently adopted by a number of other governments, in order to weld together liberal and conservative political factions that had historically been in opposition to each other. Gamble (1994:5) asserts that "although the New Right is made up of many groups, which have tended to become more rather than less diverse, they were united in the early years of Thatcherism by the need to free the economy from the controls and burdens of collectivism, while at the same time strengthening the authority of government by limiting its size and scope".

Gamble (1994:35) notes that, as a political programme, the New Right has been closely identified with opposition to state involvement in the economy, or at least "to the kind of state involvement that had been the norm in most advanced capitalist economies". He provides a historical perspective in which he argues that "social democratic policies had led to the morass of inflation, mass unemployment, excessive taxation and a swollen public sector. As the state became more and more interventionist, so the authority of government became progressively weaker in the face of powerful trade unions and other sector interests".

Central tenets of New Right philosophy include a commitment to individual freedom and the primacy of the free market in preference to state regulation. These tenets became the basis for policies such as the privatisation of the public sector, deregulation, reduction of the welfare state, monetarist macroeconomic measures, and, in some cases, a conservative moralism. Managerial principles taken from the private sector were also introduced into public sector management, drawing on the assumed efficiency of the private sector and of the market.

With respect to education, Sullivan (1996:350) describes the New Right movement as comprising "conservative forces which hold the (education) system and its curriculum responsible for economic failure and societal breakdown". Reform in education is seen as a necessary part of a drive to make industry more internationally competitive.

This issue provides an analysis and critique of the ideological and theoretical foundations behind the tertiary education reforms in New Zealand, which were part of the New Right reform programme. The tertiary education reforms began to be implemented in the late 1980s in order to improve the responsiveness of education providers to the needs of industry, to improve equity and to reduce the government's proportion of funding of the costs of provision (e.g. Treasury, 1984; 1987 a & b).

Key theories underpinning the broader public sector reform agenda are briefly reviewed, including Public Choice Theory, Agency Theory, Transaction Cost Economics, Managerialism and New Public Management. Human Capital Theory and the concept of 'the free market', or 'marketization' are examined in greater detail as these are held by the reform architects (e.g. Treasury) to be fundamental foundations for the education reforms. The empirical evidence for and against Human Capital Theory in particular is reviewed, together with alternative theories such as screening theory and the concept of credentialism. 'Human capital' has many definitions in academic literature. In the context of this series of articles, we discuss human capital acquisition only in the context of formalised education and training.

The consistency and validity of the tertiary education reforms derived from the above theoretical background and put into practice through a range of review and policy documents are examined. Claims made in these documents regarding perceived problems with education's performance are questioned.

Among specific objectives set for the education reforms were the provision of greater choice and diversity of educational programmes offered, greater responsiveness to the educational and training needs of industry and of potential students, and increased participation in tertiary education by historically under-represented groups. We examine:

- * whether greater programme choice is available within the polytechnic business programme sector for potential customers as a result of the reforms;
- * whether the reforms are likely to encourage diversity of polytechnic business programme offerings or lead to greater conformity across providers;
- * whether improved signals are given to the providers of polytechnic business programmes regarding what 'customers' (both industry and potential students) want; and,
- * what impact the reforms are having on groups historically under-represented in tertiary education, in terms of their participation in polytechnic business programmes.

Particular focus is given to the human capital deficiencies of ethnic minorities and on the constraints on individual choice with regard to education and training through a regional labour market study.

The New Zealand Qualifications Authority (NZQA) and the National Qualifications Framework are central elements of the reformed education sector, although their impact has been felt much more strongly in the polytechnic rather than the university sector. These two new institutions are discussed in terms of their effectiveness as tools for the achievement of the education reform objectives, i.e. for moving policy to practice. Current criticisms regarding the development of the framework, its foundation on competency-based assessment and the dependence on industry to drive the framework's development and implementation are reviewed, along with concerns regarding the cost of development work to date. In addition, a number of concerns with the Framework's implementation and administration are analysed, together with the effectiveness of industry's key role in its development and on-going maintenance.

We also present indicative evidence of the complexity of student investment choices and the decision process involved in evaluating options and in deciding on tertiary study alternatives. This evidence is intended to help clarify understanding of the way in which such decisions are made. It indicates that there is support for both Human Capital Theory and Screening Theory as influencers of tertiary education choices, for students considering marketing and advertising careers at least. However, the somewhat simplistic rational economic investment model, which appears to have been utilized by Treasury and by the authors of the various review and policy documents, offers only a partial explanation of the education decision process. A range of socio-economic factors which appear, from the survey findings, to also be significant influencers in the decision process are also discussed.

A more comprehensive model, based on consumer behaviour theory, is presented. This model is taken from marketing theory and is proposed as a means of enriching understanding of the decision processes involved in deciding on tertiary education. The model of 'consumer behaviour' reflects the complexity of decision making for major purchase decisions. The empirical data presented suggest that education purchase decisions are complex and can be explained more completely through the use of combinations of models such as the consumer behaviour model proposed than through the use of rational economic models alone.

Evidence is also presented to suggest that some elements of the education reforms are not supported by the industry studied and that the concerns which are expressed by industry regarding 'old world' qualifications are unlikely to be addressed by the new Framework based qualifications which are emerging. These findings suggest that further investigation into what actually constitutes the tertiary education market would be extremely profitable.

We also suggest that there is a contradiction between the adoption of the market model by government in terms of a more competitive education market and the ongoing level of government control mechanisms (in terms of progressive funding cuts and restrictions on student enrolment numbers), and that competition for students may have a negative impact on the range of courses offered and on research outputs. We do, however, note that the new Labour / Alliance government has begun to moderate education market forces.

A greater understanding of the way in which *education* markets actually work, and of the complex nature of education decision making needs to be gained in order to inform debate on future reform implementation.

We therefore make a number of recommendations for change, drawing on the evidence presented of the limitations of the reforms' effectiveness to date. These limitations are identified as being due firstly, to a number of incorrect assumptions that have been made about the nature of tertiary education markets and, secondly, to theories that have been too simply applied and which do not consider adequately the multi-faceted nature of tertiary education decision making.

THE CONTRIBUTORS

The articles commence with Eagle & de Bruin, 'Ideological and Theoretical Underpinnings of the New Zealand Education Reforms', which provides a brief critique of the theoretical and ideological foundations underpinning the education reforms, including New Right Ideology, public choice theory, transaction-cost economics and managerialism. The article then focuses on the origins, strengths and weaknesses of human capital theory and the assumptions implicit in an uncritical application of the theory to education in a free market concept.

A related article, de Bruin and Eagle, 'Human Capital Theory and the Economy' follows this. This article examines the evidence for the assumption of a direct linear relationship between education and national economic performance. The public good versus private good debate is also analyzed along with theories that are proposed by critics of human capital theory as alternatives. The authors contend that, while education is necessary for improved economic performance, it is not of itself sufficient. A number of workplace related issues that impact on the ability of the workforce to apply their human capital effectively and efficiently are explored.

The following two articles take a more micro perspective. De Bruin focuses on the human capital deficiencies of ethnic minorities. Maori and Pacific Island groups have traditionally attained lower levels of education than have European groups. This has been recognised by policy makers for a considerable time. Ways of reducing the gap between attainment levels of European and Maori / Pacific Island groups have proven difficult to find. Implications of some aspects of the education reforms are then analysed by Dupuis et al., in the context of labour market disadvantaged communities. A potential short-term solution is discussed.

A major concern is that the intentions of the reforms may not have been achieved once the reform mechanism policies were put into practice. This is examined in two articles. Eagle and McDonald, 'Intentions versus Actualities: Have the New Zealand Education Reforms met their objectives?' reviews the objectives set for the New Zealand Qualifications Authority (NZQA) and critiques the philosophy - and interpretation - of competency-based assessment which underpins the NZQA's National Framework. It then

examines the links between the policy intentions and their implementation, focusing on a number of inconsistencies.

Barnett, McDonald and Eagle follow this article with 'Anyone want a Dip Bus? Rediscovering Dip Bus in the debris of the education war' which provides a narrative-style case study of the impact of National Framework developments on the largest programme within the polytechnic sector. Problems in developing and maintaining framework units are examined, along with the costs associated with this activity and with ensuring compliance / accreditation requirements are met. The future of sub-degree programmes in the current degree-focussed tertiary environment is questioned.

Two articles that focus on indicative empirical evidence regarding student decision processes follow this. The first, Eagle and Shergill 'Student Decision Processes: Rational Investment in Human Capital?' highlights the paucity of research in this area, particularly relating to tertiary education and reports on a study of university and polytechnic business (marketing) students. The decision to undertake tertiary education is perceived as a serious human capital investment decision by students. Screening theory is shown to be a contributing factor, in tandem with human capital theory, in employment decisions. Education is shown to be perceived as both a public and private good and, contrary to the recommendations of the Todd Report, employers are strongly opposed to students (potential employees) paying a high percentage of their tertiary study fees.

The research data suggests that the theories underpinning the education reform policies do not provide a complete model of the tertiary education decision processes. The next article, Shergill and Eagle, 'Demographic and Socio-economic Factors Impacting Student Choice' examines the differences in demographic and socio-economic profiles between university and polytechnic students and the influence of these factors on the tertiary education decision process. It is suggested that the model of the tertiary education market which is implied by policy makers is simplistic and lacks an appreciation of the complexity of the decision process and the way in which many factors such as demographics and socio-economic background may intervene in the evaluation of tertiary education options.

The final article by Murphy, Eagle and McDonald, 'Lessons for the Future: Where to Now for Tertiary Education Policy', highlights the key findings from the previous articles that economic theories provide only a partial explanation of education decision making. This weakness in the theoretical foundations for the tertiary education reforms diminishes the effectiveness of the reforms. It is suggested that a more holistic model of education decision making that combines economic theories with consumer behaviour theories should be developed. It is noted that tertiary education policy is being further reformed by the new Labour / Alliance government which has begun a process of moderating market forces in education.

REFERENCES

- GAMBLE, A. (1994) *The Free Economy and The Strong State*. The Politics of Thatcherism (2nd ed.). London: The McMillan Press.
- KRISTOL I. (1995) 'A Capitalist Conception of Justice', in W.M. Hoffman & R.E. Frederick (eds.), *Business Ethics: Readings and Cases in Corporate Morality* (3rd ed.). New York: McGraw-Hill.
- LAUDER, H., BROWN, P. & HUGHES, D. (1990) 'The Labour Market, Educational Reform and Economic Growth', *New Zealand Journal of Industrial Relations*, 15 (3), pp. 203 – 218.
- NEW ZEALAND TREASURY (1984) *Economic Management*. Wellington: The Treasury / Government Printer.
- NEW ZEALAND TREASURY (1987a) *Government Management, Vol I*. (Briefing to incoming 1987 Government). Wellington: The Treasury / Government Printer.
- NEW ZEALAND TREASURY (1987b) *Government Management, Vol II. Education Issues*. (Briefing to incoming 1987 Government). Wellington: The Treasury / Government Printer.
- SULLIVAN, K. (1996) 'Progressive Education: Where are you now that we need you?' *Oxford Review of Education*, 22 (3), pp. 349 - 355.