



As Higher Education Expands, Is It Contributing to Greater Inequality?

Focusing on the BRIC countries

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The Debate

- Longstanding tradition in human capital theory that there is positive relation between distribution of education & distribution of earnings, and that policies that increase education in the labor force are a “good” way to reduce economic and social inequality.
- The technical debate is about what happens to inequality as the average level of schooling in the labor force rises.
- A second debate is about whether labor market analysis can be separated from State incomes policies; that is, whether the State can or should be neutral in the way society distributes income, and whether this better explains how income is distributed than does educational expansion or education distribution.



The Technical Debate

- Possible positive relation between rising level of education and variance of education in the labor force.
- The “effect” of increasing average level of education may increase income inequality up to a certain level and then decrease inequality.
- Demand for education in the labor force may also change as schooling expands and the variance of education declines. This changes the payoff, or ROR, to various levels of schooling.



The Political Debate

- Incomes policies versus the “natural” forces of the market and technological change in influencing income distribution.
- Political debate is related to the technical debate through the returns to education.
- If RORs are essentially a market phenomenon, State is just an educational investor searching for efficient strategies for increasing HC. If RORs are considered to be influenced by incomes policies, then the State’s fiscal, spending, and other incomes policies are key and educational expansion less important.



The Case for Incomes Policies

- Freeman on Canada versus US in 1980-2000. Same technological change, but much greater increase in income inequality in the US. Britain versus Scandinavia.
- If there is less post-tax, post-spending income inequality, equalizing education has less “distributional” meaning.



The Public Good-Private Good Debate

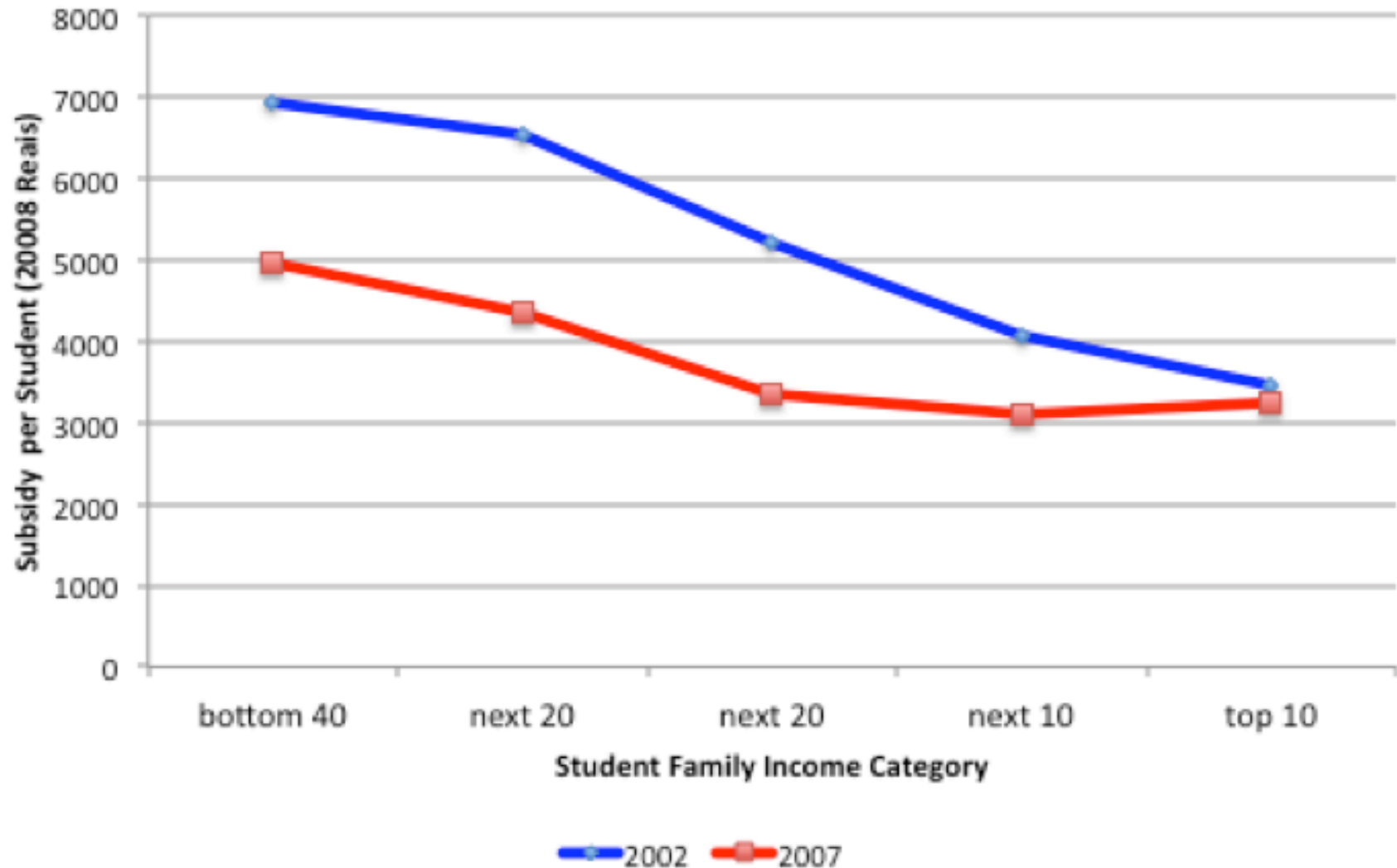
- The university privatization debate is also part of the incomes policy debate, although it is rarely framed that way.
- Charging tuition for university or allowing private universities to sop up excess demand is mainly a decision to charge a user tax for a public service traditionally provided free to certain groups of privileged users.
- This does affect the post-tax, post-spending distribution, so should be seen as part of incomes policies.
- Expanding HE with equal absolute user tax for the service for all income groups is clearly regressive. Even if the user tax is higher for higher “quality” universities, these services may be more subsidized than in lower quality universities, so may also be regressive in terms of benefits to cost.



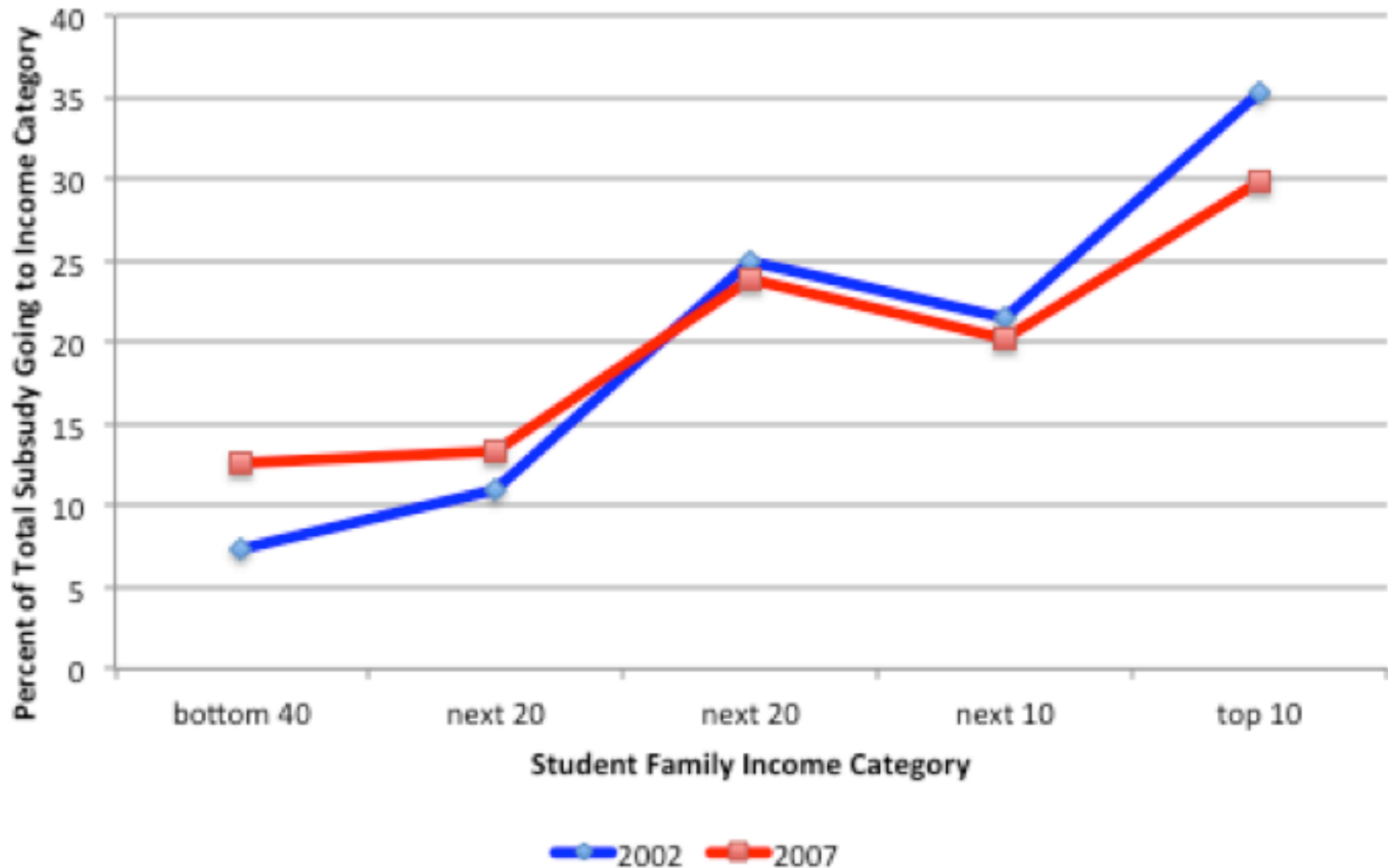
Focusing on State Income Policies Regarding HE Expansion

- This relation needs to be viewed in the larger context of State incomes and investment policies.
- Also part of a more complex relationship between education and economic growth and between economic growth and income distribution. Though growth has traditionally been linked (positively) to favoring the more talented, now many economists think that increasing inequality too much may hinder growth.
- Even if the State's role is to invest optimally in education for growth, the pattern of RORs may be such that such investment may contribute to more unequal income distribution; for example, if the private payoff to attending higher quality institutions is greater than to lower quality institutions.
- Greater subsidies to students attending higher quality institutions, may be optimal in terms of increasing growth, but can contribute to more unequal income distribution.

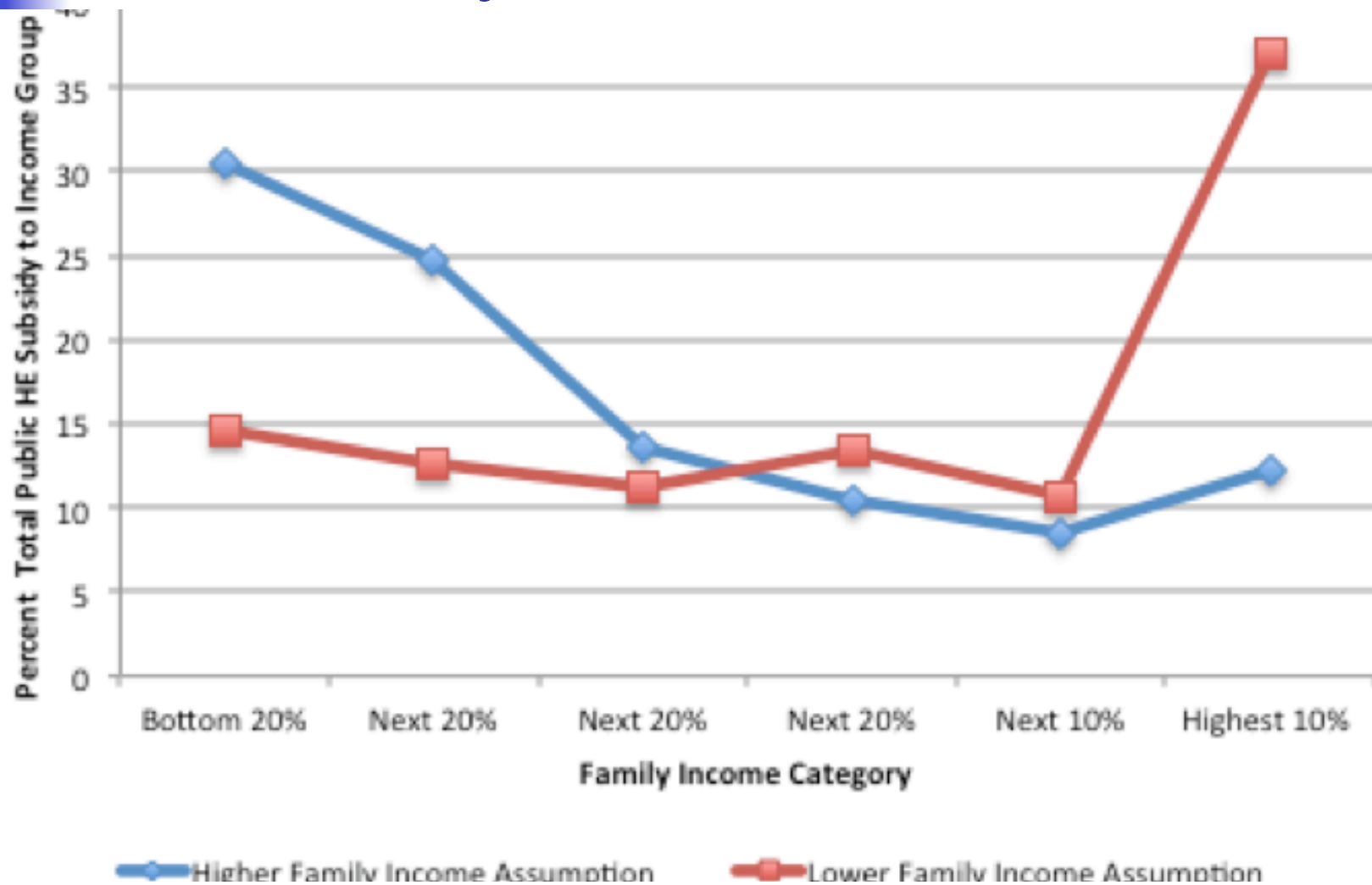
Brazil Subsidizes Higher Income Groups in HE, but Subsidizes the Few Lower Income Students More



Most Public HE Money Goes to the Top 20 % Income Families in Brazil



This May Also be the Case in Russia, but Probably Not

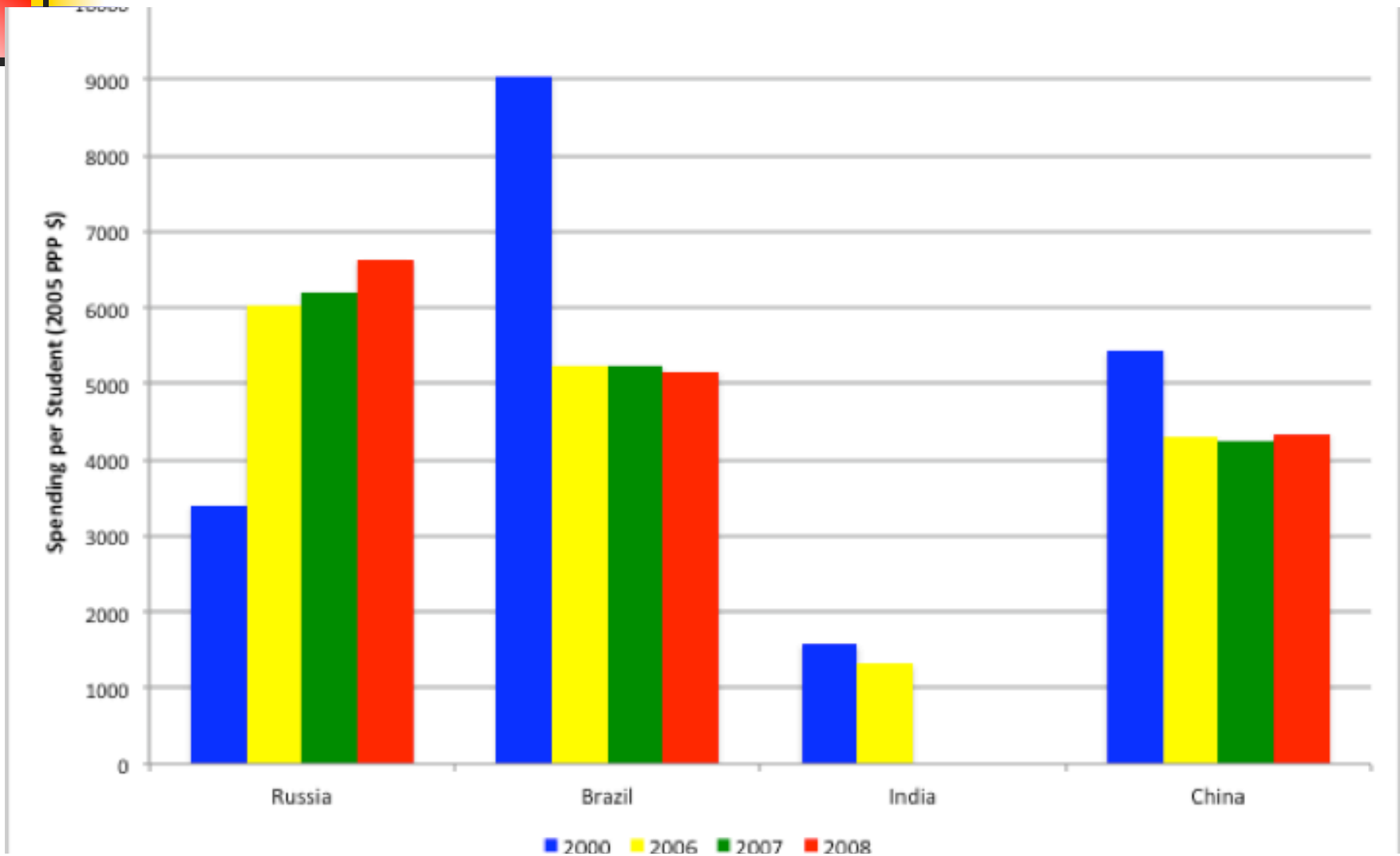




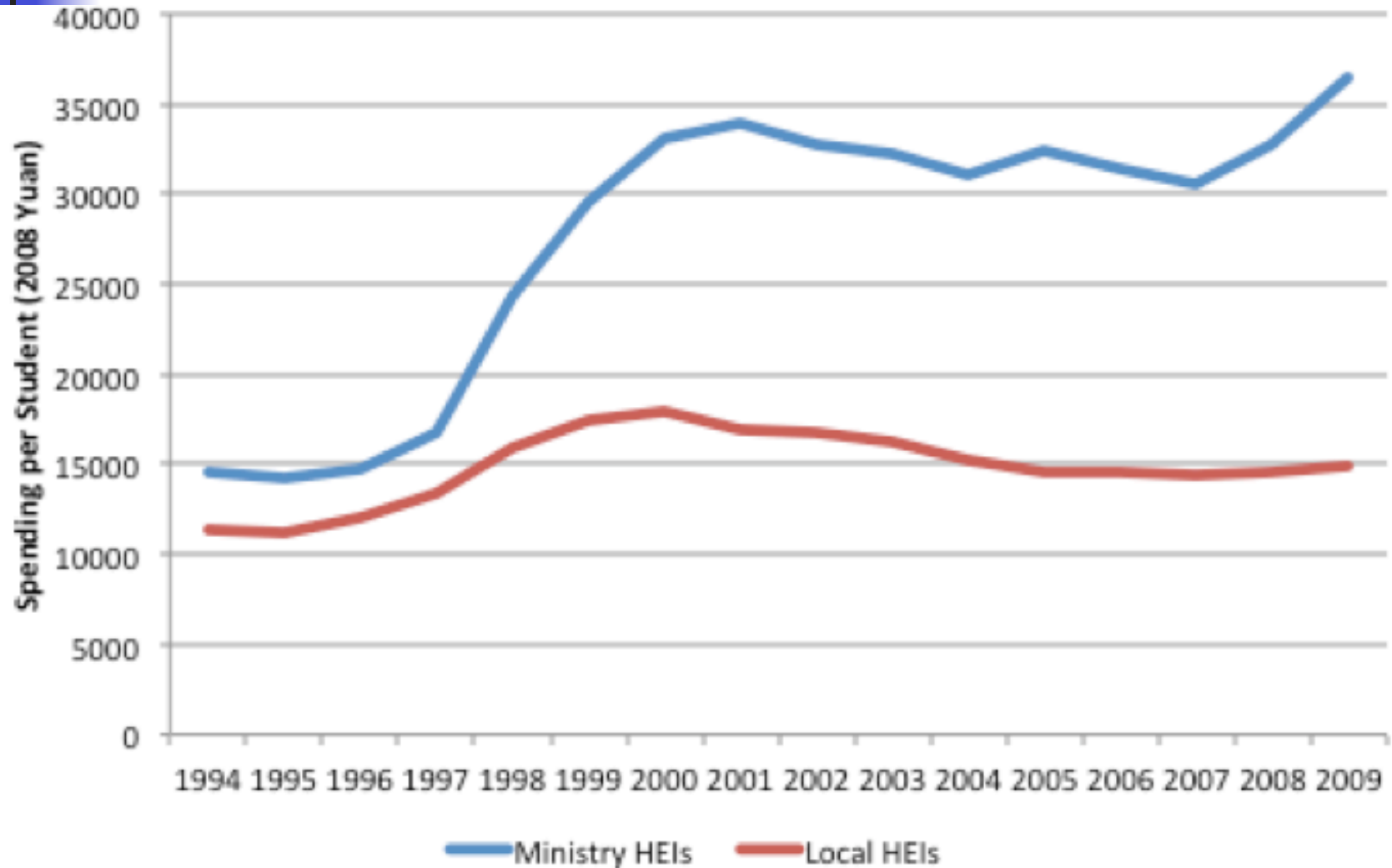
How Expanding HE Relates to Y Distribution

- In countries with high RORs to HE, expanding HE should lower payoff and should contribute to more equal Y distribution. Especially true for more developed countries.
- But since HE has always been highly differentiated, with different SES groups (on average) attending different types of institutions, and spending/student varies, Y distribution could become more unequal as HE expands.
- This would be especially true if spending on those institutions attended by the mass of new (lower SES students) falls relative to spending on the “elite” institutions.
- We see little of this trend in Europe and the US up to 2005, but in the BRICs, this is definitely happening, at least in China, Russia, and Brazil, each in its own framework of changing public spending per student.

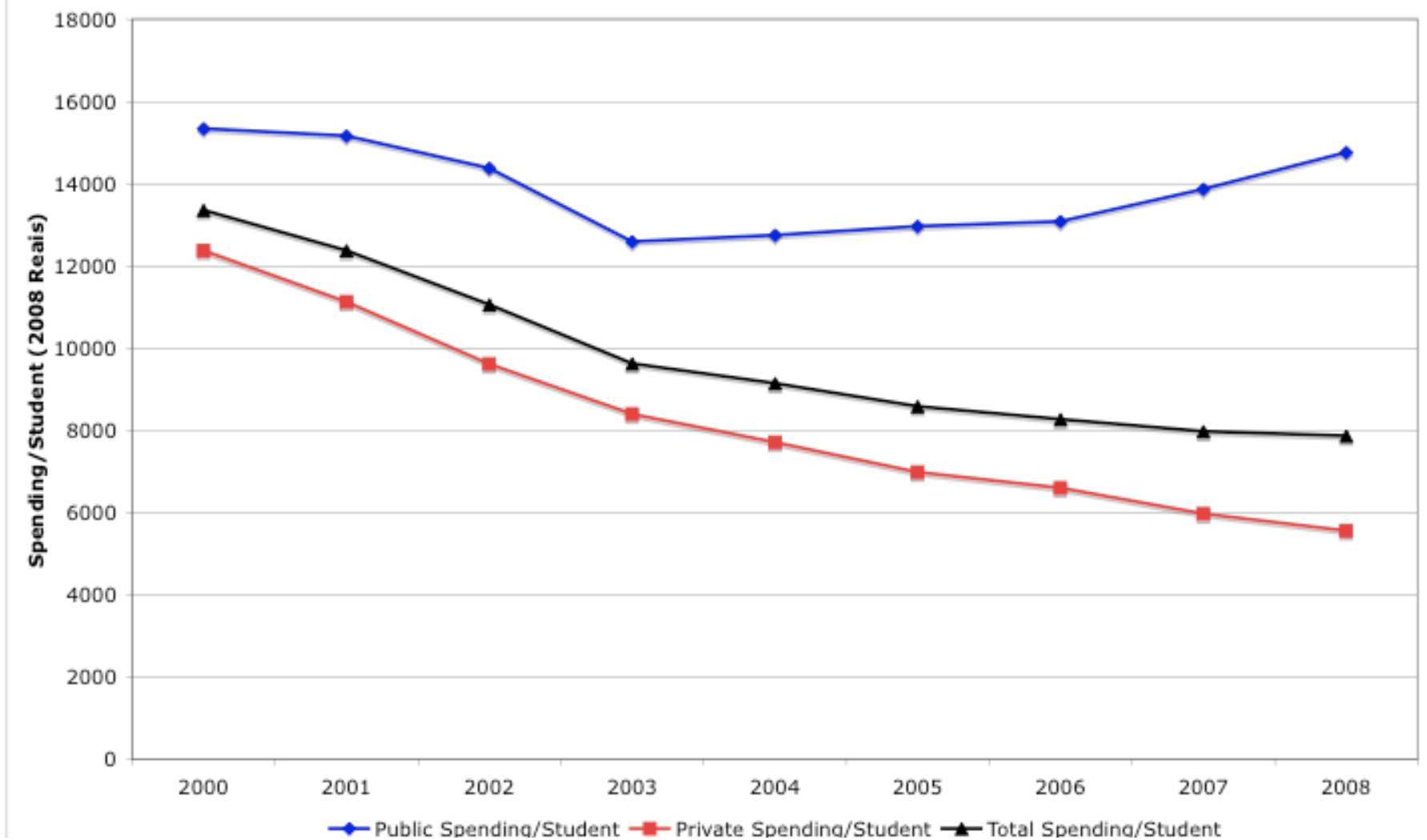
In All but Russia, Total Spending/HE Student has Declined in Expansion



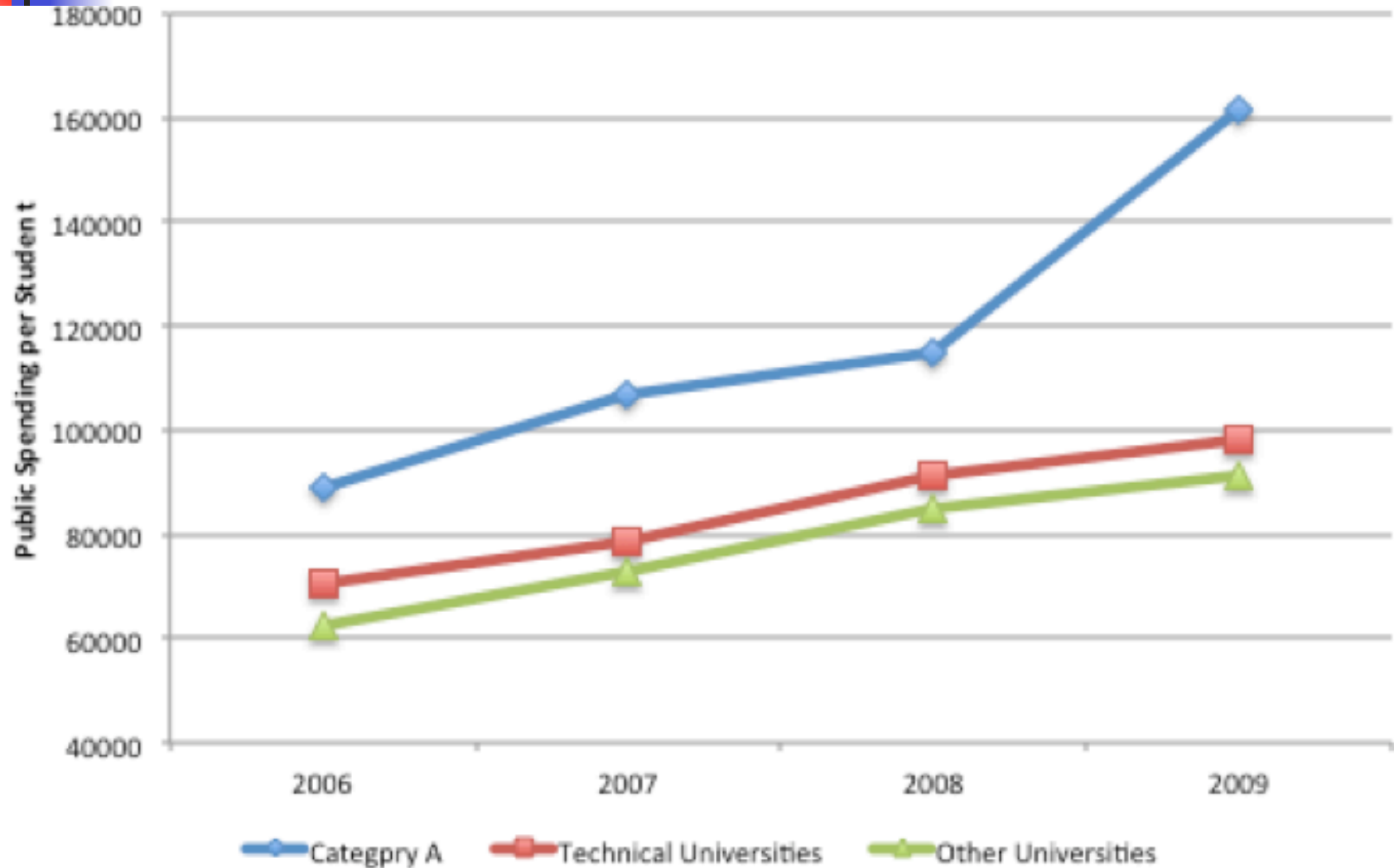
Elite HE Spending/Student has Risen Relatively to Mass HE



Also in Brazil, Because Lower Cost Pvt. Institutions have Expanded More



And in Russia, as Government Favors Elite Universities





Affirmative Action Does Equalize Access & Opportunity

- India and Brazil have affirmative action programs—India since the 1950s, expanded in the 1990s to include 50% of places, and Brazil on a university by university basis for Afro-Brazilians and public school students.
- These have provided access to university education and economic gains for disadvantaged classes to students who may otherwise not attend university or attend less prestigious universities.
- The fact that they are implemented in Brazil and India, where access is very unequal, but not in China or Russia, suggests the political pressures that take place in low access societies.



Brief Conclusions

- So-called “privatization” per se is not the main issue in the BRICs, even though they have all moved into charging fees and increasingly allowed privately run HE institutions to absorb increasing demand.
- The way to look at this issue is to assess how the public sector distributes subsidies to higher education by income groups.
- The way higher education subsidies are distributed and the increasing differentiation between institutions in terms of public spending influences how HE expansion relates to income distribution.
- Who gets high cost, subsidized HE and who gets lower cost, less subsidized HE in the society is important for the meaning of HE expansion.