

Oksana Stepanenko

Pricing of Educational Services During the Internationalization of the Education Market



Summary

The characteristics of pricing are analysed with principal focus on the definition of the transformation mechanism of pricing trends in privately paid educational services in the Ukraine and capacities of the increased demand for the export of the educational services.

It is becoming increasingly clear that the national system of higher education cannot develop irrespectively of the global processes and the general labour market trends of the world. Questions related to higher education development and improvement may no longer be addressed solely on the basis of national criteria. According to many scientists and policy makers in the 21st century high schools will be unable to prepare professionals to meet the requirements of the post-industrial information society and to ensure sustainable development. Despite the ambiguity of risks and long-term effects of the commercial approach to education, today all developed countries consider the export of educational services as the most important economic trend.

With the internationalization of the educational market, the general approach is gradually shifting towards university pricing. The aim of this article is to analyse the trends in the transformation of university pricing in the export of educational services.

OKSANA STEPANENKO, Institute of the Higher Education of the National Pedagogical Academy of the Ukraine.

The educational problems encountered in today's globalized world are meticulously explored in the modern Western and Ukrainian scientific literature. Such concerns related to economic growth are studied by G. Becker, G. Ozar, F. Welch and others. In modern theories of the post-industrial society J. Neysbita, A. Toffler, John Bell, N. Balabanova, H. Kolina and G. Makburna comprehensively examined the role of education, considered as the most important factor in the new paradigm of global production. As the internationalization of the economy increases, researchers focus on the education generated by the extremely rapid inclusion in these processes.

SUMMARY OF MAIN RESULTS OF THE STUDY

Globalization leaves no area of human activity intact. Higher education is no exception. The challenges of the globalization also trigger internationalization in higher education. According to the definition proposed by J. Knight, the internationalization of education at the national (sectoral) institutional levels is defined as the process of the integration of the international cross-cultural and global perspective in the objectives, functions and methods of providing higher education. According to the definition proposed by M. van der Wende, the internationalization of higher education is any systematic effort aimed at having to make higher education adequate to the requirements and challenges of the globalization of society, the economy and the labor market.¹

The Declaration of the first world conference on "Higher Education in the 21st Century: Vision and Action" (Paris 1998, UNESCO) stated that the essential task in the new century was to improve the quality of higher education and required the internationalization of higher education. This includes the exchange of knowledge, creation of the interactive networking, the mobility of teachers and students, and international research projects (along with national cultural values and conditions). Challenges, especially international life, give rise to new trends in higher education. The most important of them is to increase the scale of higher education, diversification and internationalization. The latest trend is rapidly spreading. Internationalization is an objective process resulting from interaction between sustainable national systems of higher education on the basis of common goals and principles that meet the needs of the global community and reflect the progressive trends of the new century.²

The challenges of economic globalization, joining the WTO and accession to the Bologna Process are addressed by several authors, who highlight the following trends in the education market:

1. increasing international academic mobility as a process aimed at the formation of the world's intellectual capital;
2. increasing export of educational services;
3. reform of higher education in the Ukraine and improving the quality of educational services in accordance with the requirements of the global market;
4. commitment to continuous search for ways to ensure the competitiveness of higher education institutions in the Ukrainian and international markets;
5. increased attraction of investments in education, openness and the internationalization of knowledge;
- 6.

strengthening relationships between higher education institutions and organizations such as the end-users of educational services in the elaboration of the content of the educational programmes and financial support; 7. increased proportion of educational services; 8. limiting the regulatory role of the government, strengthening market mechanisms at universities, enhancing their institutional autonomy etc.

The internationalization of universities, according to the definition given by M. Sederkvista, is a process of the transformation of national universities and their integration into the international higher educational system, which results in the inclusion of the international dimension in all components of the integrated management in order to improve the quality of teaching and research and the achievement of competence.³ According to J. Knight, as in the above definition the predominant objective is to improve the quality of teaching, it is limited to universities that are considering internationalization in the wider context of teaching, learning and competence development.⁴ In countries such as the UK, U.S. and Australia, the most important objective of the events leading to greater internationalization of the universities is to generate revenue.

The educational services provided by educational service providers to consumers (the students) include the complex activities of the university, which are aimed at providing the consumer with a body of knowledge and skills needed for employment in a chosen specialty, and the document that evidences that the consumer has been assigned a service qualification or degree. However, the educational services provided by institutions of higher education also include language courses, refresher courses (postgraduate studies), research services, etc. The core business of a higher educational institution is to merely provide access to higher vocational education.

Demand for educational services is generated by customers – individuals, institutions, organizations and various business entities. For example, corporate training programmes for many businesses today are becoming an integral part of their performance. Demand for educational services differs from demand for other constant goods due to the necessity of obtaining general and professional education at various levels. Market knowledge is cyclical, related to demographic changes in the national economy. However, there is a growing need for better and more advanced educational services. Therefore the obvious trend is the development of a second layer of higher education and interactive forms of learning. Demand for education is particularly sensitive to taste, fashion and the preferences of consumers. Demand for and, consequently, the price of educational services depend on the current choice of complementary services.

The selection of an educational institution is not only determined by the abilities and wishes of the person who wants to study, but also by local availability, the price of the services provided, and the opportunities of finding employment in the chosen specialty. The important drivers of demand in this segment, which also determines the price of the services, are consumer income and consumer expectations. One may argue that although currently the official educational institutions are predominant in providing such services, as a result of consumers' education-related expectations, retraining may become the determining factor instead of consumer incomes. In de-

veloped countries, a credit system has been developed to make educational services available for the various groups of the population.

The particular form of education internationalization depends on the level of interest, including personal interests, shown by the participants (students and teachers), the interests of businesses (educational institutions) and government interests. The efficiency of international cooperation in training specialists is determined by several factors, including: the adaptability of the social systems of the interacting partners, the economic development of the member states, the state and the legal framework of the educational systems involved, the social compliance strategies of the cooperating countries: the general cultural level of the population expected to use the educational services.

In addition to improving the quality of educational services, in the context of internationalization, attracting financial resources is of great importance for a university, which should therefore diversify its sources of funding. According to F. Altbach and J. Knight, “making money” – is the main motive for the internationalization of all the projects in the commercial sector and in some traditional non-profit universities have financial problems.⁵ M. Sederkvist emphasizes the “commercialization of internationalization” as the last stage of university internationalization, indicating that this process is due to the reduction of public funding in the face of constant or even increased cost of high school.⁶ The export activities of universities can be an important source of funding for their educational activities. For example, in UK universities the total fee paid by foreign students for education is more than one third of the funds allocated by the government to universities for teaching and research. The export of the university services may include higher education, language training, postgraduate education, specialised training and re-training courses, teaching and methodological support to the educational process (application, techniques, training CD-drives, distance learning, etc.).⁷

By the export of educational services we mean the university activities aimed at attracting and training foreign students, with the primary objective to diversify the sources of funding for the educational activities of the university. E. Stepkina considers teaching foreign students as one of the business activities of the university, suggesting that the purpose of this activity is to systematically make profit in order to achieve the statutory goals.⁸

In accordance with the classification proposed by GATS, there are four basic ways of delivering educational services abroad:

– Cross-border supply is the case when the service itself crosses the border. In this case there is no physical movement of the consumer education service provider or agent (the teacher). It is, for example, remote or e-learning through the Internet, the creation of the virtual universities;

– Consumption abroad is the physical movement of the consumer services across national borders in the country of the university;

– Commercial presence – a university provides educational services through a branch, an agency or a franchise agreement concluded with a local university in the country where the consumer of the service is located;

– Presence of natural persons – involves the temporary movement of a representative of the supplier (the teacher) to the country of the consumer of educational servic-

es, which, however, is in most cases, the university's export activity. Teachers are moved either on their own initiatives (and expense) or as part of a bi- or multilateral cooperation of institutions. Furthermore, commercial presence may also imply the temporary relocation of the teaching staff of a university to the home country of the branch.

The way out of the university to the external market always depends on the capabilities of the university. According to the stage-model of company internationalization, as market information increases so exit becomes more complicated. The least costly and risky way for a university to enter a foreign market is to attract international students to the country of the university (consumption abroad). Every year more than 2 million students study abroad at their own expense. According to UNESCO's forecast, by 2025 the number of foreign students worldwide will be 57 million.⁹

The most promising, although also most expensive, way is commercial presence (offshore programmes), which requires the establishment of a branch abroad. In this case, students who want to be educated abroad do not need to leave their homes for a long time. This solution, however, involves a number of problems related to entering the labour market after the university due to the administrative and tariff barriers posed by certain national educational systems.

Remote learning means educational services provided to the general population through special means of information and education environment at any distance from the educational institutions. This type of service is not only relevant as a cross-border supply of services, but also in countries with vast territories. One way of remote learning is the creation of virtual classes associated with the use of latest technologies. The economic benefits of a virtual class as against the traditional forms of training include savings in administrative costs for maintenance of educational buildings, a large staff of teachers, and on direct and indirect transport costs.

According to the statistical office of foreign students in the Ukraine, in 2013 Ukraine will earn about 4.3 billion UAH only for education. Every foreign student pays tuition to year 70.5 thousand. Thus, the average cost of tuition at the National University of "Kiev Mohyla Academy" is 20.23 thousand UAH in Kiev National University. Taras Shevchenko – 17.58 thousand, the National Technical University "Kiev Polytechnic Institute" – 13.5 thousand. Foreign students study in Ukrainian universities today on a contract basis. Moreover, in the Ukraine tuition fees for foreign students are twice the amount paid by Ukrainian citizens enrolled in similar specialties. Number of foreign students coming to Ukraine in order to obtain higher education over the past few years has been growing for the joy of the Ministry of Education and host universities. Many international students choose education in Ukraine through a positive reputation inherited Ukrainian universities of higher education in the Soviet Union, coupled with the relatively low cost of training.

The higher education institutions of the Ukraine are well positioned to sell their educational services in the international market on account of their experience in the field of training foreigners due to the following:

– low cost of tuition and relatively cheap living. Education for foreigners costs 2-5 thousand dollars a year, considerably less than in other countries. However, it should

be noted that the low prices are a powerful argument for students from emerging countries and the CIS, but not for Europeans and Americans;

- a high level of practice-based learning in a number of industry specializations that reflect the leading position of the Ukraine in the relevant scientific and practical areas (medicine, IT technology, space engineering).

Ukrainian education has a number of inter-related shortcomings that reduce its quality and attractiveness not only for foreign, but also for Ukrainian students:

- it has deteriorating (due to obsolescence and aging) laboratories and scientific experimental equipment due to the shortage of state funding and the low income earned from other sources;

- lack of equipment and the inefficient use of modern information and communication technologies in the educational process and scientific research;

- the career of a university teacher is not attractive (as it is poorly paid), and this leads to aging in the teaching staff, increasing backlog and the deterioration of the professional level;

- research is shrinking significantly, and simultaneously relations with the industry and with other academic institutions, industrial enterprises, foreign educational and research institutions are breaking up or fading away;

- insufficiently developed social infrastructure (electricity supply, dormitories, sports facilities, recreational and cultural facilities).

Although the most important, tuition is not the only factor that influences foreign students. The impact of tuition prices is estimated at 40%, the quality of the educational process at 20%, the perception of the Ukraine in the world at 10%, accommodation at 10%, formal procedures for the entering and staying in the Ukraine at 5%, campus security at 5%, the university's recognition abroad at 4%, healthcare at 2%, the electricity supply system at 2%, and relations with Ukrainian students at 2%.

The main factors that determine the choice of foreign students and educational institutions of the country include: the availability of teaching in international languages, the country's reputation, the reputation of universities, tuition and accommodation, flexibility programmes and qualifications, the geographical, historical and trade relationships between countries, active government policy to promote national educational institutes of education in the global environment, as well as measures of organizational, methodological, social and educational support to international students.

CONCLUSIONS

The trends and characteristics of the globalization of the education space have a significant impact on the internationalization of higher education, its forms and manifestations. The number of joint projects, increasing student and teaching mobility, the harmonization of training programmes and transnationalization of higher education result in an abnormal development of higher education in a globalized educational space.

The main purpose of a university's export activities is to attract financial resources, and the way out of the university to the external market is determined by the ca-

pabilities of the university. The internationalization of educational services and the measures aimed at exporting educational services are closely interrelated. Thus, the attraction of foreign students to obtain additional financing promotes intercultural skills among local students, and the acquisition of teaching skills in an intercultural environment by university and college teachers. A commitment to improving the quality of educational services is an integral part of the export strategy of a university. Currently in Ukraine has higher education institutions that are not involved in export activities to obtain additional funds, but even the leading universities are hardly engaged in export activities.

In addition to the other international activities of universities, including the exchange of teachers, researchers and students, it is especially important to train specialists for foreign countries. Under the current conditions, this educational service is becoming one of the most profitable export items. The presence of foreign students is an important indicator of the quality and efficiency of the educational activities of a university, and its national and international recognition.

NOTES

- ¹ J. Knight: *Internationalization Remodelled. Definition, Approaches and Rationales*. Journal of Studies in International Education, Vol. 8, No. 1., 2004, 9., 11.
- ² The Higher Education in the XXI century. *Practice approaches and measures*. Concluding Report by World Conference of the Higher Education, UNESCO, Paris, 5–9 October 1998.
- ³ M. Soderqvist: *Internationalization and its Management at Higher-Education Institutions. Applying conceptual, content and discourse analysis*. HSE Print, Helsinki School of Economics, 2007, 29.
- ⁴ Knight, op. cit. 10.
- ⁵ F. D. Altbah: *Effect of Globalization of the Higher Education*. Economy Education, No. 2., 2009, 83–86.
- ⁶ Soderqvist, op. cit. 40.
- ⁷ *Education for All Global Monitoring Report 2010*. Statistical Tables. www.unesco.org
- ⁸ E. Stepykina: *What this "predprynymatelskaya Deyatel'nost" high school?* Higher Education in Russia, No. 2., 2007, 30–36.
- ⁹ Education for All Global..., op. cit.

REFERENCES

- About the approval of the public oversight of schools*. Approved by the Ministry of the Education and Science of Ukraine, 25. 01. 2008., No. 34. www.uapravo.net/data2008/base12/ukr12347.htm
- About approval of the drafting, review, approval and implementation of the basic requirements for estimates of budgetary institutions*. Approved by the Cabinet of Ministers of Ukraine of 28. 02. 2002 year, No. 228. zakon.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=228-2002-%EF
- Education at a Glance. OECD Indicators 2009*. www.oecd.org/rights/
- Innovative potential of the higher education institutions*. www.uin-tei.kiev.ua/viewpage.php?page_id=464
- B. V. Kazarin: *Pricing & its role in the effective organization of educational exports of services to education foreign citizens*. Modern problems of science and education, No. 3., 2010, 41–50.
- G. Neave–F. Van Vught: *Government and Higher Education Across Three Continents. The Winds of Change*. Pergamon Press, London, 1994.
- The Law of Ukraine "About the Higher Education"*. www.mon.gov.ua/laws/ZU_2984.doc
- B. I. Voronovsky: *Analysis of the market of the educational services*. www.nbu.gov.ua/portal/soc_gum/znpt-dau/2012_2_5/18-5-08.pdf