The asymmetrical educational consequences of economic recession in Southern Europe

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The current paper stems from the preparation work for the project “Education and Crisis in Southern Europe” (ECSE), funded by the Portuguese Foundation for Science and Technology, and which started last July. The project aims at assessing the impact of on-going economic crisis and of austerity policies over the design, objectives and performance of the education and training systems in four countries: Portugal, Spain, Italy and Greece.

At the economic level, these countries share many traits typical of peripheral and semi-peripheral economies such as persistent problems of productivity and competitiveness – where deep-seated educational deficits play a significant part. With exports mainly based on medium-to-low added value products and non-transactional goods – particularly in Portugal and Greece, but also in Spain and several regions of Italy - these countries tend to be more vulnerable to the contingencies of the business cycle and the challenges of international trade deregulation.

Southern European countries also share some of the features of underdeveloped welfare states. Of particular importance is the fact that social protection is still strongly based on income replacement transfers, introducing significant disparities owing to different the quality of labour market insertion and consistency of contributive. Informal instances such as family networks thus retain an important role in addressing crisis moments in biographical trajectories – such as unemployment periods or old age. Again, these features contribute to amplify the social effects of economic downturns in these countries.

Last but not least, there are many similarities in the recent political history of these countries. Indeed, they all share relatively recent experiences of right-wing authoritarian regimes. Three of these countries lived under dictatorships between the 1930s into the 1970s - Portugal and Spain uninterruptedly and Greece intermittently - while Italy was, of course, the archetypal fascist state from the early 1920s until the end of World War II. These experiences have left long-term repercussions in the political culture, economic organization and in the social fabric of these countries. So much so that, at least in the case of Greece, Spain and Portugal, joining the European Union in the 1980s was to a large degree a conscious effort of political elites to anchor their then still fledgling democratic regimes and thus forestall eventual attempts of retrocession in this regard.

Specifically- that is the center of this paper - these countries also share persistent deficits regarding education and training. Just attaining to the key indicators of the Europe 2020 Strategy, we can see that Spain, Portugal and Italy make up for three of the four highest levels.
of early school leaving in the European Union (the other being Malta). If we move on to tertiary educational attainment with only 21% of its 30-34 year-olds in Italy have completed higher education degree – the lowest in the European Union, while Portugal also fares poorly in this respect, with only 27.2% - significantly below the EU average of 35.8%.

**Figure 1 – Tertiary attainment 30-34 (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>EU (27 countries)</th>
<th>Greece</th>
<th>Spain</th>
<th>Italy</th>
<th>Portugal</th>
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<tr>
<td>2000</td>
<td>22.4</td>
<td>25.4</td>
<td>29.2</td>
<td>11.6</td>
<td>11.3</td>
</tr>
<tr>
<td>2001</td>
<td>22.8</td>
<td>24.9</td>
<td>31.3</td>
<td>12.2</td>
<td>11.7</td>
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<tr>
<td>2002</td>
<td>23.5</td>
<td>23.4</td>
<td>33.3</td>
<td>13.1</td>
<td>13</td>
</tr>
<tr>
<td>2003</td>
<td>25</td>
<td>22.8</td>
<td>34</td>
<td>13.9</td>
<td>14.9</td>
</tr>
<tr>
<td>2004</td>
<td>26.9</td>
<td>24.9</td>
<td>35.9</td>
<td>15.6</td>
<td>16.5</td>
</tr>
<tr>
<td>2005</td>
<td>28</td>
<td>25.3</td>
<td>38.6</td>
<td>17</td>
<td>17.7</td>
</tr>
<tr>
<td>2006</td>
<td>28.9</td>
<td>26.7</td>
<td>38.1</td>
<td>17.7</td>
<td>18.4</td>
</tr>
<tr>
<td>2007</td>
<td>30</td>
<td>26.2</td>
<td>39.5</td>
<td>18.6</td>
<td>19.8</td>
</tr>
<tr>
<td>2008</td>
<td>31</td>
<td>25.6</td>
<td>39.8</td>
<td>19.2</td>
<td>21.6</td>
</tr>
<tr>
<td>2009</td>
<td>32.2</td>
<td>26.5</td>
<td>39.4</td>
<td>19</td>
<td>21.1</td>
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<tr>
<td>2010</td>
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<td>28.4</td>
<td>40.6</td>
<td>19.8</td>
<td>23.5</td>
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<tr>
<td>2011</td>
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<td>28.9</td>
<td>40.1</td>
<td>20.3</td>
<td>26.1</td>
</tr>
<tr>
<td>2012</td>
<td>35.8</td>
<td>30.9</td>
<td></td>
<td>21.7</td>
<td>27.2</td>
</tr>
</tbody>
</table>

Source: Eurostat, Europe 2020 Indicators
The result is that the qualification structure of the population is still heavily marked by the predominance of lower qualifications, with the economic consequences that were alluded to above.

Yet the progress shown by these countries in both fields must also be emphasized. Just considering the first two indicators, we can see that early school leaving in Portugal has fallen from nearly 50% in 2000 to the current 20.8%. A decreasing tendency - though less abrupt and more spanned in time - can also be discerned for Italy where early school leaving dropped from 37.5% in 1992 to 17.6% in 2012, and in Spain, where it fell from 40.4% to 24.9% in the same period.

As to tertiary educational attainment, we can see that Portugal more than doubled its proportion of 30-34 year-olds with a higher education diploma in 12 years, starting from 11.3% in 2000 and reaching 27.2% in 2012. Spain jumped from 29.2% to 39.5% in just eight years from 2000 to 2007, and staying close to this mark ever since while Italy, starting from 11.6% in 2000 has reached 21.7% in 2012.

As a result, we can see considerable changes in the qualification structure of these countries, even if they still lag behind EU averages. In Portugal, who had by far the worst starting point in this regard, the percentage of the population between 15 and 64 years-old having completed at least secondary education raised from 24.4% to 38.7%. Similar trends for the same period can be discerned in Spain (where it rose from 43.9% to 53.3%), Italy (from 46.3% to 55.8%), and Greece (from 55.8% to 64.1%).

Source: Eurostat 2020 Indicators
Now, these countries have been subject to severe austerity economic policies from 2010 onwards. These policies have been pressed hard in Southern Europe as an answer to the debt crisis that followed the 2007-8 global financial crunch. Greece first and Portugal later were forced to ask for assistance programmes monitored by the IMF, the European Central Bank and European. Italy and Spain, while spared formal intervention, caved in to pressure by the Union institutions and Northern European countries to adopt full-fledged austerity packages.

Regarding the impacts of the crisis and its austeritarian policy response on education, our hypothesis is threefold. First, we argue that, contradicting official documents stress on its importance for economic recovery and long-term social and economic development prospects, education has in fact been so far a net loser from austerity policies in these countries. Secondly, we argue that the extent of budget cuts in education and how austerity translates into concrete measures does not result only from external pressures but also – if not mainly – from the strength correlation between the political and social actors and blocks in each country and their respective agendas. Finally, we argue that the conjunction of these two developments endanger the recent favorable developments in education in Southern Europe and, consequentially, may contribute not only to render economic recovery more difficult and precarious but also to perpetuate the South's structural economic and social problems.

We will start by analyzing data regarding public expenditure in education and household income. The following graph shows us that in three of the countries considered in the current study – Italy, Spain and Greece – public expenditure in in percentage of GDP is inferior to the
EU average. Note that Portugal is the odd case here, with public expenditure in education close to or slightly higher than the EU Average.

Figure 4 - Public Expenditure on Education (% of GDP)\(^1\)

Source: Eurostat

We can also see how evolution of public expense in education seems to have mirrored general economic policy response to the crisis. Thus, we can see that the four Southern European countries followed the trend of increasing expenses in education in EU between 2008 and 2009 - no doubt an effect of early expansionary response to the 2007-08 credit crisis.

Then, and more to the point of this paper, we may begin to discern the impact of austerity policies implemented from 2010 onwards. Indeed, in 2010, public expenditure in education dropped by 0.3 percentage points in Greece, 0.2 p.p in Italy, 0.17 p.p in Portugal and 0.04 p.p. in Spain.

While we still lack more recent Eurostat data to be able to identify about a consistent trend, it is likely that this drop should continue as a result of continued austerity. Indeed, provisional figures of the Portuguese National Institute of Statistics regarding effective public expenditure in education\(^2\) dropped to 4.0% of GDP in 2012 – the lowest value since 1991. This represents a drop of 1 percentage point in two years – a number that is all the more impressive if we

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1 For Greece, from 2005 onwards, the data was provided by National Statistical Service of Greece and the calculations made by the ECSE team.

2 Note that, despite official, this indicator is different than the Eurostat one – and so direct comparisons with the latter should be avoided. However, in the absence of Eurostat data for 2012, this indicator provides a valuable clue as to the dimension of the reduction of public expense in education in Portugal.
consider that the Portuguese GDP, which is the calculating base for the indicator, fell itself by 4,3% in the same period. We are thus talking about a reduction of roughly 25% in public resources allocated to education in Portugal in just two years.

Figure 5 – Public expenditure on Education in Portugal (% GDP)

Now, it could be argued that such reduction would call for by private – namely family – resources to compensate the retraction of public expenditure in education. But the problem is this type of sudden retraction is one that families are in no shape to cope with as their own income is on the decline, faced with economic recession on the one side – meaning increased unemployment and lower wages – and public austerity on the other – meaning cuts in social provision.

According to Eurostat data, Greek households with dependent children faced a loss of 8,6% in their mean income between 2010 and 2011, while Spanish and Portuguese households lost respectively 4,3% and 4,2% . Household income loss in Italy in the same period was milder but still effective, standing at 0,5%.
At the same time, and still according to Eurostat, final consumption expenditure of households on education, did not change between 2010 and 2011 in the four countries – which, given the general reduction of household income in the same period, actually means that the amount of family resources devoted to education actually decreased. Even if commitment to education of adults or children in the household could push up private consumption expenditure on education in the next few years, the sheer scale of the reduction of public expenditure on education cannot be possible be remotely compensated by it.

What this means is that economic resources allocated to education in these countries are declining since 2010. There is thus a strong case for stating that austerity policies turned education into net loser regarding resource allocation in Southern European societies.

Besides gathering and analyzing quantitative data on the performance of the education and training system under recession and austerity, one of the main goals of our project is to analyze concrete policy measures taken in this context. If education is indeed a net loser of austerity, can the budget cuts be explained by external pressure alone? And how does austerity take concrete form at educational policy level? In this paper, we will focus on the
Portuguese case, as gathering of data through our project’s network in the other three southern European countries has just now started. As to Portugal, we argue that austerity has in part been used as a cover for the adoption of specific elitist-conservative agendas in education – in some cases going to the point of adopting measures that are at odds with the professed “neutral” goal of reducing expenses in a context of scarcity.

As we have seen, Portugal recorded a sharp drop in early school leaving and a rapid increase in tertiary level attainment in the last decade. Adult participation in education also soared, with gross schooling rates in basic education (a ratio between the number of individuals and individuals expected age for that cycle) jumping from 99.4% in 2006 to a peak of 149.2% in 2009. Finally, we can also identify significant improvements on the quality of learning and acquisition of competences by students. OECD PISA assessments, for instance, showed a significant positive evolution between 2003 and 2009, with the percentage of students ranking in the lowest level in reading and mathematics dropping considerably – to the point that, in this regard, the Portugal as by the latter date very close to the OECD average in mathematical competences and even surpassed it in reading competencies.

Public investment in education played a central part in producing this outcome. We can trace five key areas of investment: infrastructures, with modernization of elementary and secondary schools; the creation and mass social marketing of a national network of “New Opportunities Centres” for assessment and certification of adult competences and counseling for adult education courses as well as in the actual offer of adult education courses themselves; a vast increase of the offer of vocational courses in public schools, traditionally residual in the Portuguese system; revamping of the teacher lifelong training programmes, focusing on elementary level and on Portuguese language and mathematics; and the implementation in public schools of a broad set of mandatory measures designed to on towards a closer monitoring and increase assistance students risking underachievement, retention and early school leaving.

The implementation of austerity policies from 2010 onwards – in this case coupled with the election of a new, right-wing coalition government in mid-2011 - seems to have induced a sudden change policy design and implementation – and, as we argue below, goals. A few examples are:

- The dismantling of the national network of “New Opportunities Centres”. A much more restricted version in number and competences of these centres has been put forward in paper to replace it, but is yet to be implemented – leaving Portugal effectively without mass offering of adult education at the time.
- An increase on the maximum number of students per class from 26 to 30 in public schools.
- Restrictions on the offering of vocational secondary courses in public schools. The government has also been about a dual system explicitly inspired on the German model, but it has so far failed to take.
- The abrupt termination of lifelong intensive training programmes for teachers for Mathematics and Portuguese.
- The end of to “Assisted Study” extracurricular areas and of the mandatory monitoring and recuperation plans
- The introduction of mandatory exams at the end of the 1st and 2nd cycles of elementary education (targeting 9 and 11-year-olds)

Now, some of these measures could be more or less expected on a country under an internationally monitored adjustment plan and consequent heavy austerity-oriented economic policy. Reducing the number of students may look somewhat odd in a country which has one of the lowest students-to-teacher ratios in OECD, but it might be understandable in that it satisfies an immediate need to reduce expenses by reducing the number of teachers under pay. The same goes for extinguishing extracurricular areas such as assisted study, which also required employing more teachers, or terminating intensive lifelong training of elementary level teachers, whose model was very resource consuming. In any of these cases, one can argue that indirect costs through lower system performance will emerge on the long term, but the need to lower costs on the short term was for the time more important.

Yet, other measures do not fit this pattern short-term gains (despite long term losses) pattern at all. Indeed, some of them actually increase expenditure directly or have immediate and non-negligible impacts. Two paradigmatic cases are the introduction of mandatory exams at earlier stages and the dismantling of the New Opportunities network.

Even if we set aside considerable doubts about pedagogical value of the introduction of mandatory exams at such an early stage, one must necessarily recognize the existence of extra costs for the process to be implemented – be it on exam development or the mobilization – and paying - of extra teachers to watch over the classrooms.

The dismantling of the New Opportunities network without a proper replacement is also strikingly costly. Indeed, it has simply left Portugal without a coherent adult education policy framework for a period that is yet to be determined.

These are examples of choices whose rationale seems much more ideological, than forced upon by austerity and economic recession. Indeed they suggest that, at least in Portugal, there seems to be an elitist-conservative turn in education policy that takes advantage of the austerity context for its implementation. This agenda would envisage the school as a site of social selection with education having the explicit goal of transmitting disciplinary knowledge to younger generations and the implicit goal of inculcating values and norms fitting the social position determined by academic performance. This would go some way in explaining the emphasis on exams at such an early stage – the selective role of the school – or the negligence regarding adult education – as selection and value inculcation are supposed to take place at an early stage in an individual’s life.

Whether this is the case or not, some of the more recent indicators on the performance of the Portuguese education and training system are a cause for concern. According to official Ministry of Education data, the rhythm of progression of real schooling rates for secondary level education (which measure the ratio of students in the expected age to be that are in the system) has stagnated: having risen quickly from 54.2% in 2006 to 71.9% in 2010, it has stagnated on 73.0% in 2011 and 2012. On the other hand, the retention and dropout rate at
elementary level also shows an alarming tendency. Having fallen from 11.5% in 2005 to 7.3% in 2011, it has risen in to 9.6% in just one year.

Determining whether the slowdown education system performance and the elitist-conservative turn in education are specific Portuguese trends or if they are also being felt across the other Southern European countries will be the next steps for our project.