A Look at the Turkish Higher Education System from the Institutional Economics Point of View

Elif Kalaycı

Atılım University
Department of Management
Kızılcasar Koyu, İncek Ankara TURKEY

Introduction

Today the higher education system is undergoing a difficult time all over the world and in Turkey. Given the recent trends in technological improvement and the dominance of the market economy, universities are accused of being left behind the times. They are assigned new roles in addition to their traditional ones. This paper looks at the problems of the higher education system in the world and in Turkey specifically from an institutionalist point of view.

Recent trends in the world and their implications of the higher education system

Since the end of the twentieth century, a new concept called "the knowledge economy" has been sweeping the world. The main features of this phenomenon can be cited as the importance of learning, technological development, privatization, emphasis on innovation and the dominance of the neoliberal economic point of view.

According to a report by the Danish Ministry of Education that is cited in Lundvall (2002a, p.4), the 'shelf life' of knowledge of a computer engineer right after he takes an exam on the knowledge is 1,5 years. For other professions this period is eight years. As this statistic indicates, the important thing is to be able to keep on learning. That is learning for a lifetime will be the motto for the twenty-first century. The implication of this on universities is that the traditional student profile will change. There will be adult students, taking evening classes, part time classes or virtual classes and undergraduate education will not be the predominant part of the university anymore.

Development in information and communication technologies will enable the conduct of learning over the Internet, via on-line courses or open universities. Already as of 1999-2000 academic year open universities in the US make up 50 % of the whole university system, up from a 34 % in the academic year of 1997-1998. In Thailand the open university system accounts for 41% of the total university enrollment. (Salmi, 2002:29) In Turkey as of 2004, open university consists of 35 % of the countrywide university population. (author's calculation from YÖK 2007:86)

The recent privatization wave results in cut backs in the state funds universities receive. This creates pressure on universities to generate resources in one way or another. In China, Britain, the Netherlands university students are made to pay tuition since 1998. (Johnstone and Bain, 2002: 51). In Turkey state funds has been reduced from 69% to 57% within the decade 1995 to 2005. Among the OECD countries, Turkey holds the last place as per expenditure per student. (YOK 2007). Another consequence of the smaller state in funding higher education has been the proliferation of the private higher education institutions. In Turkey, these institutions are established as non-for-profit or foundation universities. They rely mostly on tuition and less on state funding and except for a few renowned ones such as Bilkent or Koç, their academic competency is questionable given their insufficient physical infrastructures or faculty members. (Senses, 2007)

With the acceptance of "innovation" as the kindling force behind economic growth and development, research on innovation has been the overarching goal in the developed countries. One outcome of this effort has been the emergence of technoparks which are located close to universities. The idea behind the technoparks is to let the private sector constitute ties with university faculty and benefit from their research. The downside of the combined effect of universities' loss of state funds and pressure coming from the governments towards generation of more innovative activities has been that application based research has taken the lead as opposed to basic research. (Communication from the Commission, 2004)

Emergence of multidisciplinary fields such as biotechnology, molecular biology, technology studies, etc has created an urgent need for reorganization of departments in universities and a move towards a more "problembased learning". (Salmi, 2002:32) The drawback of this change has been an increased reliance of the universities on the private sector as the problem-posing partner. Working on the research questions posed by the private sector, the higher education system today risks losing its freedom and ability to focus on basic research and moves towards a more short-term oriented, application-based research. (Lundvall, 2002a, Blackstone 2001) Since the 1980's the dominance of the neoliberal view has also affected the higher education system in terms of lack of clarity in values of universities. Today, in addition to making research and teaching, faculty members are trying to initiate entrepreneurial activities. Bok (2003) attributes this to the "growing influence of the market throughout our society". However, this diagnosis is not a brand new one. As early as the beginning of the twentieth century, the claim that commercialization has taken hold of the higher education system in the world has been made by Veblen (1918).

Problems Prevailing in the Turkish Higher Education System

The problems of the Turkish higher education system start at the entrance stage; that is there is excess demand for higher education and insufficient supply. Therefore a nationwide competitive examination is applied to ration university education. As of 2005 the number of applicants to this examination was 1,851,618 people. Only 20.5 % of these were placed at a university program. If we consider those that were placed in a distance education program this percentage rises to 32.8. (YÖK 2007: Appendix 11). Yet, this is a rather poor performance because in Europe the average rate of placement in a university program is higher than 50%. (YÖK 2007: p.79).

Obviously, at the entry stage there is a market failure. Even though the examination tries to filter the academically high-performers from the low-performers, the birth of the institution called 'dersane' creates a preliminary barrier for all the applicants: wealth. Dersane has been defined by Tansel & Bircan (2006) as the 'private tutoring center'. These centers are expensive and can not be afforded by all households equally. (Özaktaş, 2004) Citing from Cumhuriyet, a daily newspaper, Tansel&Bircan (2006), report that the per capita income in Turkey for 2002 is \$ 2500, whereas the average fee charged by private tutoring centers for preparing for the university entrance examination is \$ 1300. Thus, before being sieved for their academic knowledge, high school graduates are first filtered according to their family's financial well-being, which reveals the inequality created by the demand and supply forces in Turkey.

However assuming somehow they pass all these barriers and land at a program and successfully finish that program, the prospects for finding a job is not promising at all. According to the OECD, unemployment rate among tertiary graduates in Turkey is 6.9% in 2005. The OECD average for the same statistic is only 4%. Furthermore what the prospective employers seek in graduates is 'reputation' of the university rather than the program one graduates from. (Worldbank-TEPAV 2007). This means except for a couple of reputable universities, the other Turkish universities are providing unwanted crowds to the mercy of the prospective employers.

Being a graduate of a reputable university is a necessary but not a sufficient factor to be employed. Prospective employers seek social and communication skills. Furthermore being "enthusiastic, trustable, loyal, reliable, and good-mannered" are other characteristics sought by recruiters. "Long-term commitment, problem solving skills, ability to react to different situations quickly and ability to learn quickly, being open to education and training, ability to take initiative, to take responsibility and to be good at teamwork" are features the Worldbank-TEPAV (2007) research revealed as in demand.

This long list of expected characteristics is also shared by TUSIAB's findings. However, in addition to the above listed features, TUSIAB research reveals other skills sought by employers and these are speed, decisiveness, creativity, perseverance, consistency, ambition, foresight and courage. Naturally, most of these skills can not be acquired during higher education only. Family upbringing and social environment among other things play an important role in the formation of a person's character. Thus, it is quite unrealistic on the part of the employers to expect university education to equip graduates with all of the above-listed traits. Yet, asking for all these characteristics in a graduate, prospective employers keep complaining about shortage of 'skilled labor' and most of them do not initiate any programs such as on-the-job-training, which would help to alleviate this 'skilled labor shortage' problem.

On the other hand, local municipalities have come up with training courses. University graduates apply to these courses and after getting their certificates, they easily find jobs. Ali Demir, a business administration graduate is cited to say upon looking for a job for a long time, he attended a welding course, and now he is a supervisor at a plant. (Etikhaber.com)

Problems Regarding the Teaching / Learning and Research Environment in Turkish Universities

Among OECD countries Turkey ranks last with an average of higher education attainment of 25%. The world average of higher education attainment is 26%, while the middle income country average is 22%. (YÖK, 2007). Even though Turkey does not fare badly as per higher education attainment, if we look at the number of students per faculty member, with 29 students per faculty member Turkey is far behind Norway, US and Finland, each of which have 15 students per faculty and Germany, Austria, Belgium and Netherlands which have 10 students on average. (YÖK, 2007).

The prevalence of multiple choice exams is a natural result of increased number of students per faculty. Consequently, quality-wise, Turkish higher education institutions can not claim they are faring as well as their Western counterparts. Another consequence of increased number of students in the system is rising pressure on faculty to teach longer hours in the form of evening-classes or summer school. (Şenses, 2007) This results in deterioration of research quality by faculty members in Turkey. One notorious outcome of these circumstances is plagiarism of Turkish researchers. (NTVMSNBC, 2007)

Yet another problematic area of the Turkish higher education system is the preferred medium of instruction. As English is the prominent language in the world of international business today, almost all of the reputable universities in Turkey conduct teaching in English. However, it is still uncertain whether using a foreign language as the medium of instruction contributes to or hinders learning. According to a study by Şenses (1999) in Middle East Technical University where medium of instruction is English, the students of the department of economics are not happy about using English in class.

Is "Commercialization of Higher Education" a Brand New Idea?

Not according to Veblen. As early as 1918, in his book titled the Higher Learning in America, Veblen claimed the higher education system is highly commercialized. Veblen attributes the commercialization to the increased presence of wealthy businessmen at the board of trustees and the presidents' administration being under the influence of these pecuniary-minded people.

Another interesting factor underscored by Veblen is the differentiation he makes between the university and the college, the undergraduate education. According to Veblen "The work of learning, which distinctively belongs to the university.....is a matter of personal contact and co-operation between teacher and student, and is not measurable in statistical units or amenable to mechanical tests..." Veblen (1918: 26). On the other hand he sees undergraduate training as "a school for preliminary training, preparatory to entering on the career of learning, or in preparation for the further training required for the professions; but also..., an establishment designed to give the concluding touches to the education of young men who have no designs on learning, beyond the close of the college curriculum. It aims to afford a rounded discipline to those whose goal is the life of fashion or of affairs." Veblen (1918: p.24)

Based on this distinction between the college and the university Veblen claims university is the place for research and not a place to raise manpower to the labor market. Veblen (1918).

Following the same line of thought in terms of commercialization Bok (2003) attributes the roots of commercialization to four factors which can be listed as:

financial cutbacks in university funding,

the emerging spirit of private enterprise and entrepreneurship after the 1980s,

the lack of clarity of absolute academic values, and

the technologically sophisticated knowledge-based economy creating money-making opportunities.

As indicated by the continued line of thought from Veblen (1918) to Bok (2003), the idea of commercialization of higher education is not new. However, what's new about the current trend is the political interest in this game.

As Tribe (2003) and David (2005) discuss, the political parties expect to accelerate the rate of innovation and diffusion of knowledge through increased involvement of universities with the industry, which according to them will yield increased job opportunities and contribute to reduction in unemployment and bear fruit at election time. This political interest in university-industry collaboration is argued to date back to the Bayh-Dole Act that was enacted in 1980 in the U.S. This act allows universities to own the title of the research outcomes that are funded by the government and encourages universities to collaborate with the industry to commercialize their findings. (World Intellectual Property Organization)

In the literature it is depicted that innovation activities increased at unprecedented rates following the enactment of this law in the US. Thus all the rest of the world emulated the US in this context, which resulted in the proliferation of technoparks and the pressure on universities to commercialize their findings. (World Intellectual Property Organization)

However, David (2005) argues that this line of thought is rather flawed. He claims that the tremendous rise in patents after the Bayh-Dole Act was not due to the enactment of this law. According to him, following the increased public funding of research and development in the pre 1980 period in newly emerging areas such as biotechnology, an unprecedented growth in innovation was a natural outcome. Thus, he attributes the innovative environment not to the legal arrangement of the intellectual property rights but to the funding of basic research that creates further growth in the economy in the form of spill-overs. As a result David (2005) finds the current pressure on the universities to collaborate with the private sector rather ill-advised since he believes it will hinder the support of basic research.

Shumar, on the other hand, as cited by Bok (2003) emphasizes the fact that "learning and research have come to be valued in terms of their ability to be translated into cash or merchandize and not in any other ways such as aesthetic or recreational pleasure." This increased importance of 'ability to generate cash' or in other words the persistence of commercialization has resulted in increased significance of 'constant change' to accommodate the ever changing needs of the market. In the case of higher education, this pressure to change has materialized in the form of demand for new multidisciplinary fields, for virtual courses, for more flexible programs accommodating working adult students, executives, or closer contact with the business world. (Oğuz, 2004) In other words, today, universities are under the imperative of an ongoing change to please both the labor market and the political parties. However, not everyone sees this change as an imperative on the higher education system. Powell (1998) is of the opinion that higher education should represent things that do not change. Powell (1998: p112) says:

"Take the question of whether education is preparation for change. The view that it is seems to be commonplace. Yet the dramatist Eugene Ionesco once remarked that much of the highest drama since the Greeks has been about the same truths, some of them hard, which do not change and from which we hide: We die. You'll die. Me, too, and all my family, all my beloved ones, and all my friends.

Love and hatred may last as long as we do, or may not. Possessions guarantee nothing of value. Learning about ethics does not make us good. My parents, my children, I myself may be capable of atrocity or heroism. Wretched outsiders get insights, may be wiser than we. Suffering is not evil. Intelligence is strength but not always stronger than malevolence or generosity. State is not family. And so on. If education is partly about these things, then it is not entirely preparation for change." Furthermore, Powell (1998) proposes that education can help people see the debate between those who "endorse consumerism" and those who go follow other more "spiritual values". And he hopes maybe one day learning about unchanging factors such as our relation to the earth might save us from ruining the world.

How does all this relate with Institutional Economics?

The labor market in Turkey and the rest of the world is complaining about universities being not responsive enough to meet the needs of the employers and they blame the universities for the skill shortage problem. (TUSIAB, Worldbank-TEPAV 2007, Tribe 2003) However Tribe (2003) argues the skill shortage problem is a universal form of market imperfection. He claims "the problem is not that there are imperfections but that some of these make the system work well and some of them make it work badly. Economists should weed the bad ones." Tribe (2003: 469)

For example Denmark is an interesting case where unemployment is not as big a problem as it is among Western countries. The locally devised institution of 'flexicurity' is cited as the main reason for this. According to Andersen (2007), the Danish government does not provide any protection against dismissals; however with an efficient retraining system those that have been laid off are equipped with new, marketable skills and redirected to open jobs. As the Danish industrial structure is composed of small industries specializing in niche markets, this system enables the industry to be flexible in meeting changing needs of the markets and in the meanwhile allows redistribution of labor from poor performing areas to high performing ones.

Obviously in the Danish case, the labor market works hand in hand with the government in the alleviation of the problem of unemployment but in the Western world and also in Turkey we do not observe such collaboration. Employers today keep increasing the number of attributes they seek in new graduates, blaming the fast-paced change in the markets.

However, Lundvall (1998) claims the change in the markets is too fast for the consumers and the producers to keep up with it. He cites the case of Japanese auto manufacturers who fall behind in the training of their supplier network or the after-sale services and as a result can not keep pace with the introduction of new models to the market. As another example he presents case of the information technology and computer producers, where the change on the production side takes place at such accelerated rates that consumer can not keep up with the learning process and this leads to stagnation in the market. When we tie Lundvall's diagnostic with the increased demands of the labor market from the university graduates and the ever increasing pressure on universities to work collaboratively with the private sector in the name of 'change', one cannot help but think that the higher education system is the 'scapegoat' of a problem created by the short-sighted markets and governments together.

While it is true that the higher education system should keep up with the demands of the modern age, the extreme pressure on the universities today to raise ever more equipped individuals for the labor market does not seem fair. Defending the university graduates today, Handel (2002) asserts the cognitive ability of today's graduates is not worse than that of their counterparts in the past. Thus, according to Handel, the skill shortage problem is not due to the deterioration of the ability of the students, rather it may be attributable to too high expectations of the labor market from graduates.

Tribe (2003) points out that in Europe unemployment rate decreases as educational attainment increases. In an environment of imperfect information regarding the future employment opportunities, this information motivates students to get a higher education. However this increased demand coupled with a cutback in university funding by governments, creates extra pressure on the higher education system. As a result, the emergence of private universities becomes inevitable just like the rise in tuitions. Tribe (2003) claims, in the future students will be charged for higher education and the only thing that will keep this going is "imperfect information and bounded rationality". Tribe (2003: pp 467). In other words, Tribe is asserting that given the uncertainty of finding a job with a high school degree, which corresponds to the imperfect information in action (in the terminology of institutional economics), the boundedly rational person chooses to pay for higher education to increase his/her chances of employment and a higher standard of living.

However, when we look at the Turkish case, we find it hard to employ the same line of reasoning. Table 1 lists the rate of unemployment by educational attainment levels. When we study table 1, we see a striking trend. The rate of unemployment among university graduates has consistently increased since 2000 until 2006. Even though there is a minor decrease in 2007, this is no guarantee of a correction. Furthermore, the fact that the Turkish economy has been growing since 2002 makes matters even worse. Given such a setting, one cannot stop asking the question, what is the reason behind this persistent interest in higher education? Where is the imperfect information? Looking at the unemployment statistics of university graduates, it is quite perfect information that finding a job with a university diploma is a rather difficult task. Bounded rationality dictates not wasting the four years for a piece of useless paper and looking for other tracks of employment.

Table 1: Unemployment among high school and university graduates		
Years	High school	University
2000	10.6	7.0
2001	13.3	7.8
2002	14.7	11.1
2003	12.8	11.1
2004	15.1	12.4
2005	13.6	10.2
2006	12.8	9.5
Source:TURKSTAT, Household Labor Force Survey		

Nevertheless, as we look beyond the employability factor, certain other reasons emerge for going to the university. In the Turkish case, postponing the military service for males is one factor and aspiring to the social prestige of university graduates is the second one. A third factor which indirectly promotes the proliferation of university education is small business enterprises. In small provinces where a university is established, the increase in population due to students creates growth in local economy; this helps the boosting of local sales. Business vested interest therefore lobbies for the opening of new universities in their district. (Şenses, 2007)

Another point of interest in the case of Turkey is the performance of technoparks where reputable university campuses are filled with private sector representative who are expected to work with professors collaboratively in order to undertake innovative work. In the absence of extra funding for basic research in Turkish universities, will these new environments produce innovation? Or will they simply emerge as another vested interest group, born out of another man-made institution? These questions remain to be seen in time.

Conclusion

Knowledge economy is the new buzz-word in the economics literature. With the advance of information and communication technologies and the understanding of innovation as the driving force behind development and growth, today almost all developed and developing countries are trying to integrate lifetime learning into their economies. Universities as the traditional research centers naturally are under attack in this scenario. As part of the neoliberal economic agenda, privatization dictates that the state is rolled back. This in turn causes the funds universities receive from the state to fall. Following the birth of new fields such as biotechnology, nanotechnology, etc. universities' need for financing has increased. When the political pressure on universities to collaborate with the private sector to generate innovation was added to this picture, naturally, universities started to reorganize, make room for new departments and also private sector alliance. However, this development had number drawbacks. One was that applied research gained priority over basic research. Private universities emerged and state universities had to increase tuitions. Another parallel outcome has been the deterioration of the values higher education needs to provide to a graduate. Pressing for ever increasing demands from graduates, the prospective employers are treating universities as manpower raising institutions, ripping them off from their humanistic virtues such as the stimulation of intellectual, moral and emotional growth.

When we look at the Turkish higher education system, the problems start at the entrance stage. Given the excess demand and limited supply of universities in Turkey, the university entrance examination may at first sight seem like a fair rationing device to filter the academically competent students from the rest. However, the emergence of an institution called 'dersane' erects a preliminary barrier of financial-power before a student even has a chance to try out his/her chance at the nation-wide university entrance examination. Once allocated to a university program, students in Turkey need to compete with each other to get faculty attention because compared to the European countries the number of students per faculty in Turkey is twice or three times higher. And assuming they graduate, the diploma from most universities do not mean much in terms of securing a job as most recruiters first seek reputation of university. However, even a reputable university diploma is not enough in the eyes of a prospective employer. They search for all sorts of skills to pick the suitable candidates for the job. Consequently, around 10 % of the Turkish university graduates every year since 2000 goes around unemployed. As a remedy to this problem, municipalities open up certified courses.

From the perspective of institutional economics, the Turkish university system currently looks like a bankrupt institution. It begs for an overhaul. Except for a few select universities, most of the others can neither perform their functions of generating research nor raising virtuous individuals that can create the so much needed 'change' in the society. The threat of commercialization coupled with political expectations has left little room for maneuvering of universities. The cutback in state funds and political pressure to form alliances with the industry leaves universities to the mercy of private sector funding. Whether this will hinder the basic research or contribute to the applied research remains to be seen, but in any case, a vested interest group in the technologyparks will be merging as a byproduct of this experiment.

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