Financing Tertiary Education in the Caribbean:  
The Elusive Quest for Quality, Capacity, Affordability, and Equity

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I am grateful to the leaders of the Caribbean Development Bank for the invitation to present the Fourteenth William G. Demas Memorial Lecture. I was asked to address the financing of higher education and to bring some international insights to the enormous challenges facing the member states of the Caribbean Region: challenges that I have termed in the title of this dress “…the elusive quest for quality, capacity, affordability, and equity.”

I know that William Demas was himself a scholar, an economic development expert, and a great civic figure as well as the second leader of this important development bank. I am proud to be invited to give a lecture bearing his name. I must also give homage to the great St. Lucian development economist, Sir Arthur Lewis, the founding president of this bank, a vice chancellor of your outstanding University of the West Indies, a Nobel Laureate in economics, and a scholar whose works I read for my own undergraduate thesis on education and economic development at Harvard University almost exactly 50 years ago. (I know this because I am about to return for my 50th reunion.)

I was last in St. Lucia just over one year ago, trying to assist the fine community college that bears Sir Arthur’s name. And I was also here in 2011 as a member of a World Bank team looking at this same elusive and vexing question of how the member countries of the Organization of East Caribbean States can simultaneously:

- expand the capacity of their tertiary level institutions, particularly in the provision of critically needed bachelor’s degrees;
- hold and strengthen the academic quality of their programs;
- heighten the relevance of their programs to the needs of the economies and the peoples of the Caribbean;
- do all this without jeopardizing—indeed while expanding—participation rates, equity, and social justice, especially among the poorest and most needy;
- and do all of this under conditions of fiscal austerity and intense competition for scarce public revenues from other public claims—elementary education; roads, bridges, and other needed infrastructure, public health, and housing, to name but a few—all of which can make claims every bit as politically and socially compelling as yet more resources to higher education.

The quest for quality, capacity, affordability, and equity: Elusive indeed. And I had no clear answers in 2011 for the World Bank or for the member states of the OECS—any more than I have today or have had for the dozens of ministries, scholars and universities I have spoken to about higher education finance over the last 20 years. What I do have is some experience: both in

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leading a very large university system—the State University of New York when I was at its head had well over 400,000 students on more than 60 campuses—and in studying, visiting, writing about, and lecturing to university and government leaders as well as students and faculty in more than 50 cities outside the United States over the past decade alone about how other countries—some like and some very unlike yours—are facing the same challenges.

Many countries facing such challenges—with difficult trade-offs and no solutions to make everyone happy—respond in a kind of paralysis: the politicians preferring to lay the studies and recommendations on a shelf in hopes that the problems, the restive voters, and the international development banks that sponsored the studies can wait until they retire on their pensions. Other ministries re-analyze the same data, hoping that a different and more satisfactory answer might yet emerge. Still others test the political winds and do that which seems to alienate the students or the political opposition the least regardless of the consequences, both unintended and foreseeable. And a few countries do what another, and oftentimes totally unlike, country seems to have done successfully—Australia, perhaps, or England, or Canada or the United States or Cuba or Brazil—generally, and unsurprisingly, without the same success.

Some policies to meet the seemingly intractable challenges of expanding higher educational capacity, quality, affordability and equity within limited governmental revenues are better than others and end in some modest success; others still end in failure for reasons having nothing to do with the correctness of the policy. Frequently the failures are predictable, and some of us try to learn lessons from both the success and the failures, and I try to pass these along. But I do so ever mindful, and humbly aware, of the greatly differing histories, cultures, natural endowments, and prevailing ideologies even among neighboring states—much less states that differ in the extreme: for example, as among the highly industrialized states of the OECD; the impoverished countries of Sub Saharan Africa; the economic tigers of east Asia; the emerging BRIC giants of Brazil, Russia, India, and China; or the aspiring middle-income countries enveloping the Caribbean.

My advice, then, tends to be less:

• Here is what you should do.

And more:

• I understand your goals and your problems—and here are some other countries like yours with similar objectives, problems, and limitations.

• Here are some policy options that governments in countries like yours have implemented—and they are generally the same options that have been before you because there are not so many mysteries or brand new ideas when it comes to the right thing to do—and here is how these options might help you.

• Finally, here are some foreseeable and unforeseeable problematic consequences that other countries like yours have experienced and how they might have been avoided—and how you might avoid them.

So let us consider the needs and challenges of higher education in the Caribbean Region and what these mean to governments, to taxpayers, to students and potential students, and to The Caribbean Development Bank.

To begin with, higher education—or the more expansive term, tertiary education—in the 21st century has acquired the status of a precious and indispensable good, both public and private, and thus to be a worthy investment: for countries, families, and students
alike. Indeed, as the world and the world’s economies become increasingly globalized, and as economic leverage and influence, even for small countries like those around the Caribbean, flow increasingly from knowledge and higher level skills—including sectors like agriculture and tourism—a country’s economic well-being depends on an educated workforce.

As or even more important, a country’s democratic and civic well-being depends on an educated populace—and not just in science and technology, but in history, languages, literature, and philosophy. Basic, secondary, and all sectors of tertiary education, from the scholarly research universities like your University of the West Indies to your technical and community colleges—are thus aptly termed public goods: goods the benefits from which spill over beyond the individuals so educated and enrich the larger general populace.

Education, and especially higher education, is also a private good, bringing benefits to its graduates and to their families in forms not simply of better jobs and higher lifetime earnings, but of greater status and influence that in turn expand life’s choices: of occupations, friends, spouses, partners, and places to live. Thus higher or tertiary education seems like a wise investment for countries and families, and individuals. But there are enormous challenges to this seemingly easy prescription: challenges that are common to all of the Caribbean states, indeed to virtually all middle income countries of the world.

These challenges begin with the rapidly and relentlessly increasing demand for higher education places and the need for additional college and university capacity: for more lecture theatres and laboratories, campuses, residence halls, and of course more faculty and staff. This surging demand for greater capacity is driven by four forces.

The first is essentially demographic: the consequences of high birth rates and increasing college- and university-age populations that are then accelerated by the rapidly growing secondary school completion rates of these rapidly increasing population cohorts.

The second is the equally surging private demand for tertiary education, borne of the increasing awareness that higher education is the key to better jobs, higher status, political leverage, greater influence, and more lifetime choices. Economists may quibble about the degree to which added levels of education actually make individuals more productive, or whether the added education is an easily read signal to employers that individuals possessing higher levels of education have the personal qualities they are mainly seeking: intelligence, ambition, good work habits, the ability to defer gratification, and the like. But there is little question but that higher levels of education are keys to most of the best jobs—in addition to other lifetime advantages prized by individuals and their families.

Third is the increasing public demand for more education, presumably felt by politicians and civic leaders recognizing that tertiary education—including education and research at the highest levels—are the keys to economic growth, global competitiveness, a healthy democracy, and a vibrant civil society.
And the fourth force behind rising enrollments is the quest for social justice and the expansion of higher educational accessibility to those who have traditionally—in all countries—been excluded or at least underrepresented in higher education. These have been the isolated, the ethnically and linguistically marginalized, sometime girls, and always the poor. And we must not be mislead into believing that equal access is demonstrated by the young boy or girl born in poverty who makes it on the basis of extraordinary intelligence and character. The story of Sir Arthur Lewis, left fatherless and poor at the age of seven, is heartwarming, and there are many others who have made it in spite of statistical odds against them. But such a wonderful example does not mean that St. Lucia in the 1940s and 50s was a bastion of higher educational accessibility. True educational equity and social justice must be demonstrated not just by the extraordinary few who make it, but by the widening participation of the average and even the below average who do—remembering that on any given attribute or capacity, fully one half of us will, by the definition of average, fall below that measure.

These surging enrollments are the experience of virtually all middle and low-income countries that face the compounding accelerators of rising participation rates on top of expanding youth populations. But it gets worse. The pressures of rising enrollments are then on top of already soaring per-student costs that would translate to high and rising costs and revenue needs even without the aggravation of the need to accommodate the burgeoning enrollments. The annual increase in per-student cost and thus in per-student revenue needs is also common to public colleges and universities everywhere and is a function of three virtually universal factors.

First, changes in unit costs in tertiary education, as in other labor-intensive, productivity-resistant sectors of modern economies, mirror changes in faculty and staff compensation and therefore to produce rising unit costs that tend to exceed the rise in costs and prices generally: that is, to exceed the prevailing rate of inflation if there is any real growth in the economy. This is because workers in such enterprises—mainly faculty—typically get similar wage and salary increases, at least on average, as those in the capital intensive, productivity-receptive, sectors of the economy. These sectors—typically manufacturing, but any sector of the economy that employs automation, cost-reducing technology, aggressive management, outsourcing, and innovation to drive up productivity—are able to increase the real wages of their employees while holding the prices of their goods or services below the average of all price increases, or below the rate of inflation.

Further accelerating these high per-student cost increases are at least two additional factors contributing to increasing costs and thus to increasing revenue needs of colleges and universities throughout the world—and certainly in the Caribbean. The increasing use of computing and telecommunications—which in manufacturing and in the private provision of services tends to add productivity and hold down costs and prices—tends in higher education to add costs and require more revenue.

Finally, new college and university academic programs are added in response to changing scholarly fields and changing job markets almost always faster than old programs (and their faculty and staff and equipment) can be diminished or shed altogether. This latter factor—made worse by the inflexible faculty labor market prevailing in most countries—is especially significant in low- and middle-income
countries in which faculty and staff along with other civil service employees tend to be well organized, politically powerful, and able to resist a reallocation of resources that might jeopardize jobs. Private sector employment, including private institutions of tertiary education (whether not-for-profit or for-profit) tends to be more flexible and better able to reallocate resources—and thus to shed less critically needed staff—to follow the changing needs of local job markets and the changing demands of their students.

None of this is new. The directors and officers of the Bank and others in this audience do not need the World Bank or Bruce Johnstone to explain that high and rising college and university costs are seriously outpacing the available public revenues. Indeed, while preparing for my consultancy with the World Bank in 2010, I took counsel from the Caribbean Development Bank’s own president at that time, Dr. Compton Bourne. In 2005 he cited these rising costs of tertiary education with specific reference to the OECS member states—and of course to his own experience with the St. Augustine Campus of the University of the West Indies. Dr. Bourne acknowledged the high average wage rates in tertiary education: the so-called cost disease characteristic of all of the labor intensive, productivity resistant sectors of the economy. He also cited the high capital costs of science and technology training and research, together with the high costs of research consumables and the high costs of traditional library materials. Finally, he cited the rate of obsolescence of both training and research that requires continual investment even after relatively high levels of initial training costs: for example, the need for continuing mid-career training and skill upgrading, as well as the need for ever more research as the frontiers of knowledge continually expand.

The fundamental problem that the Caribbean Region shares with nearly all other countries, then, is the inability of public funds to keep up with the already high and very rapidly rising costs and revenue needs of colleges and universities. And hence the conundrum:

- Expanding participation—at least in the conventional mode—requires expanded capacity, which requires new capital costs and the on-going costs of additional faculty—assuming they can be found.

- Expanding capacity and quality, then, requires supplementing these limited governmental revenues. And the only non-governmental revenue source that is substantial, stable and on-going—that is continuing rather than one-shot—is an increase in tuition fees or other forms of cost-sharing.

- But of course, this remedy collides with the objectives of affordability and equity, with any increase in fees threatening—if the students are to be believed—to exclude the sons and daughters of the poor.

So what to do? How to manage this elusive quest for quality, capacity, affordability, and equity in the Caribbean Region? I start with certain given about higher education in the Caribbean Region that I assume to be the case—but assume, too, that you will correct me if I am assuming incorrectly.
I assume that higher Education in the Caribbean Region will face college and university costs and revenue needs increasing faster than available revenues similar to virtually all middle-income countries. In addition, there are challenges that are more peculiar to the Region:

- Economic growth will be moderate and growth in per-capita income even more moderate—limiting not only tax revenues but the ability of families to afford higher tuition fees and the other expenses of higher education.

- Many of the islands and their community colleges face the challenge of small scale and relative isolation, which increases the cost pressures both on the institutions and on the families.

- There is, at least arguably, a serious higher educational sector imbalance, with a well-developed, multi-campus research university in the University of the West Indies, but generally underdeveloped two and four-year public colleges that are needed to provide job-ready graduates as well as credits and degrees that are fully transferable to UWI’s upper division and graduate and advanced professional programs.

- The Region lacks a common, or at least a conformed, fair, transparent, cost-effective and generally accepted system of means-testing in order to target the limited available financial assistance on those for whom the assistance, whether in the form of grants or loans, will make a true difference in accessibility.

- And the Region also lacks a common, or at least a conformed, student loan plan to take advantage of potential economies of scale in collections and skip-tracing and in tapping private capital markets through secondary market sales and securitization.

But there are also some good signs for a strengthening system of tertiary education in the Caribbean Region. For example:

- The University of the West Indies is an extraordinary example of regional cooperation and a model of what is possible.

- The many private, primarily for-profit, colleges operating in the region provide four benefits that can redound to the advantage of public higher education in the Caribbean. Some are a source of export revenue and local jobs—a source of economic strength and a more robust tax base. They absorb some of higher educational demand in spite of their high tuition fees. In many cases, they provide valuable lessons in efficiency and in responsiveness to the needs of students and employers: lessons that some public institutions could heed. Finally, their high tuition fees give evidence that public colleges also could charge modest fees and not lose their commitments to access and widened participation—if there were the aforementioned strengthened system of means-tested student financial assistance and loans.

- Finally, there have been extraordinary improvements in low cost delivery of learning via the Internet, e-mail, and other telecommunication and pedagogical tricks that I cannot keep up with. I am cautious about their efficacy for all learners. And worse, I think they may further divide us along the old familiar lines of socio-economic class and region., with the sons and daughters of the more fortunate going right ahead partaking of traditional well-resourced colleges and universities, whether in the Caribbean, or elsewhere in Europe or North America, leaving the poor and the place-bound to pick up what learning they can through the Internet and that ominous new term, MOOCs—which
for those of you unfamiliar with the term, are not invasive species, but are Massive Open On-Line Courses.

I happen to be cautious, to say the least, in my embrace of cost-cutting technology in higher education. At the same time, none of us—who care about higher education and who recognize the unsustainability of its current trajectory of costs and revenue needs can close our minds to the cost reducing potential of these new technologies. When one adds the Caribbean challenges of small scale, relative isolation, limited resources, and the urgent need for skills upgrading to the worldwide challenge of unsustainable costs and the political and moral imperatives of widening access, the potential of technological breakthroughs cannot be set aside merely because they seem to lack traditional academic familiarity.

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So again, what to do? With several caveats—that these are not new recommendations; that I am mainly talking to the converted and that I am really addressing politicians and power brokers in the sovereign states of the Region who may not be in this audience; and that political push-back to what am about to recommend, as other have recommended before me, is as inevitable—I offer the following five thoughts. (Call them recommendations if you like.)

The first step to containing costs in higher education while also widening access is to improve middle and secondary education. Too much of the high and perpetually rising costs, especially in two and four-year colleges, is teaching what should have been taught in secondary school. Where the British model prevails, as on many of the islands, sixth-form education should be returned as expeditiously as possible to the high schools. It is at the middle and secondary levels that basic skills, a love of learning, further academic aspiration, and good study habits are formed. Pushing these burdens to the level of community colleges is both costly and ineffective. In sociology-speak, diminishing the intergenerational transmission of academic readiness and aspiration—and thus of lifetime status, income, and influence—starts in the schools not in the colleges.

Second, governments must preserve the principle of collaboration and the academic excellence of the University of the West Indies—but at the same time to address the aforementioned imbalance by investing more resources and giving more attention to the Region’s two and four year public colleges. And here, at the two and four-year colleges, begin to think far outside the box: to new levels of regional cooperation, and to greatly enhanced student and faculty mobility, including inter-institutional and inter-state credit transfer and joint degrees. And technology and yes, maybe some MOOCs.

Third, politicians, civic leaders, and higher educational scholars and leaders must professionalize, de-politicize, and strengthen college and university management. Independent governing boards and institutional leaders must have the authority to contain costs and meet changing needs by the strategic allocation and the sometimes painful reallocation of faculty and staff resources. Public higher education throughout the world is moving in the direction of enhanced institutional autonomy, privatization, and corporatization. This is deeply contested ground. Opponents, particularly within the faculty and staff, will decry what they will label as managerialism and commodification. And it is vital that core academic values of appropriate standards, integrity, and academic freedom not be compromised on some altar of efficiency. But neither must critically needed enhancements to accessibility and retention, to needed programmatic and curricular change, to higher educational capacity, or to cost-effectiveness be sacrificed on another altar—this one of tradition and job security.
Fourth, increasingly scarce and coveted public revenues must be supplemented by modest and flexible forms of cost-sharing, beginning with reasonable fees for food and lodging and extending to tuition fees to cover a portion of the costs of instruction. Again, there will be opposition, claiming that even a modest tuition fee or a modest increase in a fee already established will drive away students from low income families. But the greatest deterrents to higher educational accessibility throughout the world are far less the imposition of modest tuition fees—especially with the means-tested access to grants and loans that are the stuff of my final recommendation—but more the sheer lack of public tertiary education capacity, accommodating admission policies, appropriate standards, and programs that promise gainful employment. And whatever the limitations of the expanding private, fee-dependent, for-profit colleges throughout the Caribbean, they demonstrate not merely the viability of tuition fees—far in excess of those contemplated by public institutions—but the attractiveness of imaginative, student-centered admissions, scheduling, and programming.

Finally, for the expansion of participation and retention, for the sake of equity and social justice, and for the greatly needed supplemental revenue that can come from the successful adoption of a reasonable tuition fee, there must be financial assistance in the form of means-tested grants and loans.

I have been writing about student loans for more than 40 years and about student loans in their worldwide context for some twenty five years. Student loans remain frightfully complex, highly misunderstood, and politically controversial. And higher education policies in middle and low income countries are littered with the bones of failed student loan schemes. So for all my writings and advocacy, I can claim depressingly little success—and will spare this audience from a lengthy elaboration. Suffice to say that the theory of student lending—making it possible for a student to invest, or at least to help out, along with family and governmental contributions, with the very high and rising cost of his or her own higher education, which investment can pay off handsomely—is sound theory. And the failures are mainly predictable and avoidable. But I will save further discussion for my meeting tomorrow with the Bank directors and staff.

I will end this address by again thanking the officers and directors of the Caribbean Development Bank and noting their vital importance to the social, economic, and educational well-being of the Region.

I again stress the critical importance of higher education—universities and colleges, public and private—to the economic, political, and cultural health of the Caribbean states and to the aspirations of their citizens—especially to their young.

And I wish all of you well as you proceed on the necessary but elusive quest for greater quality, capacity, affordability, and equity in your provision of higher education in the Caribbean Region.

Buffalo, New York, April 2013