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Declining Higher Education Quality Affects Postsecondary Choices:

A Peruvian Case

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Few adolescents in the developing world receive sufficient guidance to make crucial life decisions during the transition from secondary to postsecondary education and into the labor market. Consequently, a significant number of graduates regret the decisions they make. The excessive rigidity of most higher education systems prevents lateral shifts between programs or from technical to university education. In addition, in Peru limited information about the range of programs and their labor market outcomes, combined with an increasing number of low-quality providers, contribute to the problem.

A recent survey of Peru's urban working-age population revealed that only 35 percent of young professionals (ages 22 to 30) were satisfied with the postsecondary choices they had made. This implies that, if given the opportunity, nearly two-thirds of young professionals would choose another

career or institution, a different degree (university or technical), or would have entered the labor market directly after completing their secondary education.

Why are so many students dissatisfied? According to the data: a significant proportion of the graduates of technical school programs would have chosen a university degree (42%); and a large proportion of university graduates regret their choice of institution (an increase from 11% to 23%, during the last decade).

The first result is a consequence of a structural problem within Peruvian higher education: the system is highly fragmented. The lack of integration means that while university graduates can pursue postgraduate education, technical education is effectively terminal and such graduates seeking further schooling would need to begin postsecondary education again, basically from day one. The situation is made worse by the fact that professional and economic opportunities in the labor market are biased against graduates from the technical education sector.

Dissatisfaction with the choice of institution reflects another problem, common to many developing countries—the recent and rapid expansion of the private sector and its uncertain quality.

ENROLLMENT VS. QUALITY

During the past 15 years, Peru has experienced a boom in private higher education supply. The number of private universities increased rapidly during the 1980s (an average of 1.7 new private university per year), but growth reached a historic peak (an average of 3.3 per year) during the following decade. Meanwhile, public universities were not able to respond to increased demand,

due to budget constraints. As a result, the share of students enrolled in private universities now represents 60 percent of the total student population, up from only 40 percent in 1996.

This trend coincides with an important shift in incentives for higher education providers. In 1996, the Peruvian government passed a law (Legislative Decree 882) to promote private investment in education, which allowed private institutions to operate under the same rules as private businesses. These incentives, together with increased demand from families enjoying larger earnings (per capita gross domestic product grew 53% between 2000 and 2010), created attractive conditions for private providers. Private universities, created between 1996 and 2010, currently accommodate 134,370 students—concentrating 17 percent of the total university student population in these new institutions.

Most of the new private institutions operate for-profit and receive powerful incentives to maximize enrollment, since each additional student almost entirely renders profit, once fixed operating costs have been covered. Enrollment tends to concentrate in "popular" programs. Given the lack of career guidance, adolescents often choose these "popular" programs, with limited knowledge of future possibilities in the labor market. The risk is that for-profit providers will accommodate demand endlessly, without concern for employment outcomes unless restrained by external regulation.

If higher education quality is judged in part by whether graduates acquire the knowledge necessary to integrate successfully into the labor market, there is no reason why private providers should be more or less effective than public ones. Yet Peru lacks mechanisms to assess the future needs of the labor market,

which might inform decisions about the creation of new higher education institutions and degree programs.

Thus, the rapid expansion documented above has sparked three results that conspire against university education quality. A decline in selectivity: The average admissions ratio (the number of admitted students divided by the number of applicants) increased from 30 percent in 1996 to 45 percent in 2009. In a country with poor primary and secondary education (Peru ranked 63 and 64 out of 65 countries in the 2009 Program for International Student Assessment tests), this implies a decline in the level of basic skills of the average student.

In addition, there has been a shift in faculty composition, in favor of more part-time lecturers and fewer full-time professors. The percentage of full-time professors fell from 47 percent in 1996 to 35 percent in 2010. Currently, full-time professors in public universities represent 68 percent of their total faculty and in private universities, only 17 percent. This trend also implies a decline in research activity that has an effect on the analytical content of courses and lectures.

Degree offerings do not respond to the needs of the labor market. In other words, new institutions are most likely to offer popular programs that do not entail major investments in infrastructure or equipment. Business administration is currently the most popular career choice among high school graduates (accounting for more than 15% of total university enrollment). Not surprisingly, 70 percent of the new private universities offer programs in this area, despite the fact that nearly one-third of graduates with this profession are unemployed.

More Information and Better Decisions

Comprehensive information about labor market opportunities for graduates of different postsecondary programs constitutes a crucial element for measuring the effectiveness of higher education in any society but especially for developing countries. Peru has been lacking these data for too long. Perhaps, there was no need for this information when access to higher education in Peru was limited to a wealthy and better-informed elite.

The massification of higher education and the diversification of supply impose an urgent need for employment data. Unfortunately, data will be difficult to collect. Few higher education institutions in Peru follow their graduates' trajectory into the labor market. Alternatively, one could rely on income data from the taxation system but that would obtain an incomplete and biased picture, given the high degree of informality in the Peruvian labor market (two-thirds of all jobs). Household surveys should be undertaken to capture the employability and income differentials resulting from specific degree programs and institutions. This would provide more accurate information in developing countries with high levels of informality in the labor markets and little accountability from higher education institutions. Made public, this information would assist adolescents to make better choices, while creating incentives for higher education institutions to provide an education with more promising educational outcomes. As quality-assurance mechanisms are consolidated in the developing world, this kind of database can be complemented by information collected directly from higher education institutions about their programs, their faculty, infrastructure, and data about the employment of their graduates.

The alignment of higher education with labor market needs in developing countries merits a great deal of attention. Better data collection and the dissemination of this information are critical issues for improving the effectiveness of higher education.