

# **Economic and Law Conditions for Private Colleges Development in Post-Communist Countries – Polish Case Study**

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## **Abstract**

This paper presents the economic and legal environment associated with the establishment and operation of non-state colleges in Poland. It discusses the principles guiding the setting up of non-state colleges in Poland and their current operating conditions. The Gdańsk Management College serves as an example of the process of establishment and development of a non-state college.

**Keywords:** Private Colleges. Economy, Law, Polish Case Study.

## **1. Legal conditions of the operation of colleges in Poland**

Formerly the higher education market in Poland was thought to be satiated, yet the scholarization index was much lower than in less developed countries. The most radical change was brought about by the regulation permitting to establish non-state schools of higher education. **As a result we presently have the most developed system of non-state education in Europe – in 2002 there were 250 schools with approximately half a million students. At present, students of non-state schools of higher education constitute 27% of all students.**

The establishment of non-state colleges or schools founded without the use of public funds dates back to 1990, when the Higher Education Act allowing to establish such schools came into force. This was a breakthrough as the market for non-state academic entities in Poland had been opening slowly and without any particular rhyme or reason. The provisions of this act contained many highly strange solutions from the point of view of management functions, for instance the one stating that the first rector (in fact the person in charge of a college) is not appointed by its founder, but by the minister responsible for higher education issues.

The operation of non-state schools of higher education in Poland is regulated by two principal legal acts: The Higher Education Act<sup>1</sup> and the Undergraduate Schools of Higher Education Act<sup>2</sup>. The former one as it were “approved” of the existence of such an entity as a non-state school of higher education, the latter one is already a clearly methodical step towards preventing founders from conducting graduate higher education studies. This is significant to the extent that earlier founders of a college with academic aspirations had been able to provide education at a bachelor’s level at first and after some time apply to the minister for granting rights to educate at the master’s level. Unfortunately the group of founders, including myself, fell victim to the administrative

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<sup>1</sup> *Act dated 12 September 1990 on higher education, as amended*

<sup>2</sup> *Act dated 26 June 1997 on vocational schools of higher education, as amended*

regulation of the education market in Poland, abolishing the possibility of establishing an "academic college" and creating the possibility of establishing so-called professional schools of higher education instead, which as a rule should educate in more specialized professions, only at the bachelor's level. Only several years later, thanks to the lobbying of organizations associating rectors and founders of schools of this type, professional colleges were conceded the right to transform into a higher education college and apply for the master's rights. It needs to be emphasized that under the Polish legal system all schools of higher education are subject to strict supervision by the Ministry of National Education and Sports, from granting permission to operate, through granting permission to educate in particular fields of study (e.g. management and marketing, pedagogy, etc.), keeping a register of schools of higher education similar to court registers of companies, up to annual controls by experts of the State Accreditation Committee, which, if the outcome is negative, lead to closing the school and deleting it from the Minister's register.

The establishment of a non-state school of higher education is in the Polish legal system conditional upon not only the fulfillment of a number of statutory requirements (financial means, tangible resources, human resources, etc.), but above all on obtaining a permission from the minister competent at higher education, i.e. on an administrative decision. It is of an essence as the said minister may (and sometimes actually does) decide to reject the application even though all statutory requirements are met. Ordinances, namely lower level legal acts, referring to the said acts, very precisely state not only the names of faculties (e.g. management and marketing, computer science, law, sociology, etc.), but they also specify the requirements related to the academic staff with virtually surgical precision. According to the applicable law, in order to establish a faculty of a professional school of higher education (equivalent to *undergraduate studies*) it is necessary to employ at least four independent academic teachers with a specialization relevant to the thesis subject, on a full-time basis (in accordance with the Polish nomenclature, this condition is met only by doctors with habilitation and titular professors) and at least four doctors, also with a specialization related to the thesis subject.<sup>3</sup> This signifies that a school wishing to run one faculty of studies must, under pain of forfeiting its rights and being closed, employ 10 people full-time. Individuals associated with the school in any other way (contract, agreement to perform a specific task, etc.) are not taken into account. Post-graduate colleges must have 8 full-time employees, who must clearly state that the college is their only and first place of work. This is very important as further provisions of this ordinance state that these rights can apply only to one college, whether state or non-state.<sup>4</sup> One must not forget that all the persons should be employed on the basis of an employment agreement, namely an

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<sup>3</sup> *Ordinance of the Minister of National Education and Sports dated 10 January 2002 on the conditions to be fulfilled by a professional college to establish and run a college faculty or a professional specialization (Journal of Laws of 2002, No. 8, it. 64)*

<sup>4</sup> *Ordinance of the Minister of National Education dated 20 June 2001 on the conditions to be fulfilled by a school of higher education to establish and run a college faculty and on the names of college faculties (Journal of Laws of 2001, No. 71, it. 736)*

agreement encumbered with an additional covert tax, i.e. the social and health insurance contribution totaling an almost 60% overhead. Thus the legislator has retained the freedom not only to create the market of educational services, but also to significantly influence the profitability of the domain.

To moderate your enthusiasm I intend to prove that if any manager of a Western college wanted to establish a branch or an independent college in Poland, they would have to meticulously fulfill these requirements. It appears easy to invite foreign professors to collaborate, but unfortunately the Polish legislator has provided for such a possibility too by specifying that minimum scientific staff in graduate colleges may only include two foreigners, and in undergraduate colleges – only one, even if they were winners of the Nobel Prize or other notable awards.

The number of hours necessary to attain a specific level of education has been specified in similar detail – 2200 hours in full-time bachelor's studies and 3000 hours in master's studies. Little attention is paid to the acquisition of real skills by the graduate with the greatest emphasis on the fulfillment of the so-called minimum curriculum, which in fact consists in about 60% of compulsory subjects – which thwarts the creative initiative of a college badly enough.

The experience of the Gdańsk Management College indicates that each application for a new study faculty is reviewed with extreme precision with regard to the fulfillment of the mentioned minimum curriculum, or whether it really comprises the set of subjects considered absolutely indispensable by the Chief Higher Education Board (presently the State Accreditation Committee). As a result of such a policy, study curricula in Polish colleges are mostly reproducible as “fixed requirements” constitute almost 60% of them. In this respect it is important to note that colleges should teach on the basis of their own author's curricula, but however can these be created if they are in the first place expected to meticulously fulfill some rules that are already established.

## **2. Economic aspects of the operation of higher education schools**

All schools constituting the higher education system in Poland operate on a non-profit basis. It naturally regards the statutory activity of a college, strictly related to the education of students at the higher education level. According to the valid regulations, non-state colleges do not receive any grants for their educational activity – they can only apply for support for their research activity and for social scholarships for students. The principal source of income are receipts from payments towards tuition fees made by students, usually for the semester in advance. The present economic situation of most non-state schools is correct although in the present initial phase of development, after the vision has materialized, investment needs are beginning to emerge (seat, library, sports facilities, dormitories, etc.) which can significantly engage the school's funds. The legislator requires that the number of students in full-time courses not be lower than in extramural courses. This is difficult to fulfill due to the fact that there are often twice as many candidates for extramural courses than for full-time ones. This means that if they want to fulfill the tasks required by the legislator, schools have to resign from a

considerable portion of their potential receipts from the “over-standard” number of extramural students.

The future of non-state colleges does not look too bleak either, despite the decreasing number of candidates due to demographic factors. *The Development Strategy for Higher Education in Poland until 2010*, prepared by the Ministry of National Education and Sports, assumes that the scholarization index will constantly rise, which may considerably compensate for the decrease caused by the low birthrate.

The state schools of higher educations are funded with entity-specific state budget subsidies allocated for the didactic activities and maintenance of the school as well as for financial aid to students and with purpose-specific subsidies for investments, mostly in the area of construction (in academic colleges). Another source of state schools funding are their own revenues, obtained mostly through didactic activities (tuition fees), but also through research activities. The share of own (non-subsidized) revenues from didactic activities has been consistently increasing in the last decade, in proportion to the development of payable forms of education.<sup>5</sup>

Non-state higher education has not been as a rule funded from the state budget so far, except for the Catholic University of Lublin and the Pontifical Academy of Theology in Cracow, statutorily subsidized from the budget similarly to state colleges (excluding investments). In the last two years state budget scholarships were also granted to full-time students of other non-state schools.

State schools of higher education are classified to the public finance sector in the light of the provisions of the act on public finance dated 28 November 1998. Consequently, a number of specific regulations of this act also regard state colleges. Regarding the remunerations of their employees, state colleges belong to the state budget sphere. The issues regarding the level of their remunerations for employment are regulated by the act dated 23 December 1999 on establishing remunerations in state budget sphere and amending certain acts. These regulations were modified in connection with the three-stage program of correction of the average remuneration of civil employees in higher education in specific groups of positions in relation to the so-called base amount, introduced in 2001 through adequate amendments to the higher education act and professional colleges act. The third and final stage of this correction is to be carried out as from September 2004, so the financial outcome for the budget will be felt in 2005.

The funding of budget-subsidized higher education was performed in the last decade as far as the macroeconomic premises of the public finance distribution allowed. The growth of the extent of education was mostly funded with own revenues of schools, the level of which varied a lot across schools.

The activities provided for in the strategy will be financed with the following sources:

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<sup>5</sup> *Development Strategy for Higher Education in Poland until 2010, Ministry of National Education and Sports, 2003*

- state budget, Chapter 83 – higher education
- monies from EU relief funds
- Socrates/Erasmus II program
- non-budget funds.

The share of expenditures for higher education in the state budget was 3.21% in 1990, 2.36% in 1994 and 3.86% in 2001. The share of expenditures for higher education in GNP amounted to 0.82% in 1991, 0.72% in 1994 and 0.88% in 2001.

A draft of a new Act on Higher Education has recently appeared, providing for subsidies towards full-time studies (preferred by the legislator) for non-state schools. This solution seems to be closer to reality and to offer an opportunity of similar access to public funds for all schools.

**In spite of such restrictive regulations the market is developing brilliantly, and so:** in 1989 there were 1,101 students per 100,000 people in Poland (as compared to 2,700 in England, 2,995 in France, 1,927 in Greece). In 2002, over 4,000 per 100,000 Poles were studying, which ranks our country at a European level. In the academic year of 2001/2002, in 364 colleges in Poland (including colleges of the ministries of national defense, internal affairs and administration), 123 were state schools of higher education, while 241 had a non-state status. It should be stressed that the significant growth of the student population is mostly associated with the increasing number of evening and extramural students in state schools and with the development of diverse forms of studies in non-state schools of higher education. The number of students in full-time studies has attained 754,000, i.e. 44.4% of the total number of students. Now considering the division into state and non-state schools, the percentage of full-time students at the state ones amounts to 53.7%, and in the non-state ones – 21.1%.

In the academic year of 2001/2002 the number of students in all types of higher education colleges increased by 8.5% compared to the previous year, whereas in state schools by 8.7% (in full-time studies by 9.7%).

The more numerous generations of secondary school graduates and the greater proportion of those among them intending to continue their education in colleges have led in the last few years to the gradual increase of the number of first-year students, as well as the percentage of young people learning at the age of 19-24, which is reflected in the gross value of the scholarization index. In the academic year of 1990-1991 it amounted to 13.1%, whereas in the academic year of 2001-2002 it had already attained 43.7%.

As we can see, the scholarization index in higher education has more than tripled. However, in comparison with highly developed countries, our post-secondary education still falls behind: for instance in Canada 88% young people graduate from post-secondary schools, in the USA – 81%, in Australia – 80%, in New Zealand – 63% and in Norway – 62%. The data is not fully comparable due to the prevalence of short-lasting, two-year or even one-year study courses in these countries.

In the past decade Poland has evolved from the elite stage of higher education to its mass stage. And despite the demonstrated weaknesses of some colleges and faculties, it is an unquestionable success. Never in their history had Poles been so well educated, never has university education been so strongly linked with better employment opportunities and being paid above the average. Maintaining the dynamic progress and constant improvement of the quality of education in particular is becoming the key challenge of higher education in Poland in the first decade of our century.<sup>6</sup>

Such is in short the condition of the regulated market of educational services, which in spite of all has not impeded the unmatched in the world, dynamic development nor has not prevented the establishment of some 300 private schools in 1991-2003, many of which represent an international level in research, didactics and staff. This may point to an incredible dynamism hidden in the people associated with the educational business in Poland and guarantee that in the face of increased competition of stronger partners from more developed countries and the narrowing market due to the low birthrate, they will come up to the competitive demands.

### **3. Structural transformations in higher education in Poland**

Pursuant to the *Development Strategy for Higher Education in Poland until 2010*, prepared by experts from the Ministry of National Education and Sports, by the end of the first decade of the 21<sup>st</sup> century we can expect fundamental transformations in the structure to take place, such as:

- merging of schools running courses in specialized faculties into large university entities,
- establishment of various associations (consortia) of colleges,
- transformation of smaller schools into so-called university colleges,
- liquidation of substandard schools.

These steps will result not only from the need to use the funds assigned to research, development of academic staff, conduct and modernization of the didactic process and maintenance of the tangible resources more effectively, but they will also be a consequence of teaching quality assessment by the State Accreditation Committee.

### ***Gdańsk Management College – Case Study***

#### **4. Establishment of Gdansk Management College**

The establishment of Gdansk Management College is a result of more than two years of work on the preparation of the final version of the application to the Ministry of National Education. The application was submitted to the Department of Higher Education of the Ministry of National Education on 30 November 1998. After winning positive opinions of the Chief Higher Education Board and the Undergraduate Education Accreditation Committee on 16 July 1999, the Minister of National

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<sup>6</sup> *Development Strategy for Higher Education in Poland until 2010, Ministry of National Education and Sports, [www.menis.gov.pl](http://www.menis.gov.pl)*

Education issued a permit to establish the Gdansk Management College. On 19 July 1999 in the presence of a notary public, the school founding act was drawn up and on 30 July 1999 Gdansk Management College was entered in the register of non-state undergraduate colleges under the number 24.

**It is my ambition as founder and chancellor** of Gdansk Management College that it becomes a recognised non-state school of higher education as soon as possible. To achieve the goal, joint activity of school authorities and careful selection of teaching staff are necessary.

The conviction that the goal set may be reached only through the provision of high quality education led to the formulation of the first theses behind the current mission of the school, which provides that the school may win stability and trust owing to:

- its reliable, stable teaching staff,
- the provision of interesting courses in new fields, reflecting the current and future needs of the integrated European employment market, which attracts the best candidates, and
- cooperation with the best Polish and foreign schools of higher education.

In keeping with the founder's intentions, students were to have easy access to textbooks, as the Publishing House of Gdansk Management College was going to be established to publish collections of lectures and other studies by our lecturers.

The initial assumptions provided that our school was to exercise continuous effort for the above intentions to become reality as soon as possible and for our graduates to feel proud saying:

### **I have graduated from Gdansk Management College.**

#### **5. Current College Status**

Gdansk Management College is a non-state vocational school of higher education established on 19 July 1999 on the basis of a permit issued by the Minister of National Education number DNS-1-0145-487/RO/99 of 15 July 1999 and was entered in the register of non-state colleges offering undergraduate studies under the number 24 on 30 July 1999.

On the basis of the permit granted and the entry in the register the school initially provided undergraduate educational services in the field of *marketing* and *finance management*, extending the range of fields of study offered to include *insurance, customs, and Internet in management* in 2001, and *small business management* in 2002. In 2002 we also obtained a permit to provide educational services in the scope of *applied information technology*, a new field of undergraduate engineering studies, and in 2003 we won permit to start a new field of bachelor's studies: *sociology*.

In the first academic year 238 full-time and extramural students started their studies in the newly-opened school. In December 1999 Postgraduate Department was established, which prepared and opened postgraduate courses in five fields of study: marketing,

finance management, educational management, insurance, and accountancy. Owing to the efficient (in the opinion of our students) promotion involving a very accessible price, our young college educated the biggest number of students of postgraduate educational management courses in the Gdansk Coast region. An important element facilitating the creation of good image of our college was the fact that students of the course included mainly directors of educational entities such as post-secondary schools, secondary schools, and primary schools and that they assessed the quality of educational services provided as very high, both in terms of didactics and organisation.

In June 2002 the first undergraduate students graduated from our college. Not only the academic teachers connected with the Management College, but also provincial authorities, representatives of the local government, mass media, and the graduates' parents and friends were invited to participate in the ceremonial handing in of the first diplomas to mark the significance of the event.

**At the moment the Management College has 1,500 undergraduate students and more than 50 postgraduate students.**

Among our finest achievements we may also mention the purchase of an approx. 0.5 ha building plot in Gdańsk-Oliwa, on which the college building was built within just nine months. **The building was opened duly, in keeping with the general contract schedule, on 15 October 2002.** The investment in question is the first project on such a scale implemented by a non-state school of higher education in our region – the usable area of the building is 3,361 m<sup>2</sup>, and the building is equipped with a spacious car park, two halls for 360 persons each, and a large number of lecture rooms and classrooms. The exterior and interior design, prepared by a winner of several awards, an architectural workshop Arch Deco from Gdynia, provided for the use of both ecological materials and a number of nouveaux solutions making the future college seat friendly to students and teaching staff alike. The investment project is financed with the help of college funds, a bank loan and support from the founder.

The implementation of the investment project was commissioned (through tender) to Allcon S.A.- a reliable and experienced contractor. The building itself was awarded with a prestigious prize – a **distinction in the Competition “Structure of the Year 2001”** by the Polish Association of Building Engineers. The design of our new seat was recognised by the Association of the Polish Architects, which awarded it with a **1st class distinction** in a competition organised under the patronage of the President of the Council of Ministers **“Prize of the Year 2002”**. In 2003 we won the 3rd prize in the “public buildings” category in the competition **“Grand Prix Ceramica Casalgrande-Padana”** in Milan.

In 2002 the Publishing House of the Gdansk Management College was opened with a view to the publishing of not only monographs by our academic teachers, but also textbooks addressed to our students and students of similar schools as well as the publication of scientific magazines and collections of lectures.



Our books:

1. Balicki A., „*Analiza rynku*” /*Market Analysis*
2. Szreder M., „*Badanie opinii*” /*Opinion Surveys*
3. Nierzwicki W., Richert M., „*Ekologiczne uwarunkowania działalności gospodarczej*” /*Ecological Considerations in Business*
4. Głazunow J., „*Logika opracowania regionalnych programów rozwojowych*” /*Logics of the Drawing up of Regional Development Programmes*
5. Kaszubowski J., „*Analiza finansowa szkół wyższych*” /*Financial Analysis of Schools of Higher Education*

In 2002 our college decided to organise its first conference: “*What Gdansk? What Poland? Gdansk Region and the European Union – Opportunities and Threats*”. We wanted it to be an international scientific conference (guests were invited from Russia, Germany and Sweden), attracting not only academic circles but all those who care for the well-being of the Gdansk region. The conference won acclaim from all the participants – speakers and guests alike. It was suggested that the conference in the same formula should be organised on a regular basis, e.g. annually. That is why this year we have organised another conference, this time entitled “*Personnel Management in the Times of Integration with the European Union*”. Similarly to its predecessor, it was a scientific conference. Speakers included scholars, specialists in fields connected with personnel management, representatives of the Ministry of Agriculture, Provincial Employment Office and representatives of central institutions dealing with personnel management. A significant part of the conference was devoted to discussion and just like the preceding conference it earned wide acclaim from participants. Under preparation is the third conference, which this time is going to be devoted to “*Quality Management in Educational Entities*” and aimed at the creation of a platform for discussion on the topic for our college staff, and employees of other schools with the exception of primary schools: post-secondary schools, secondary schools, post-secondary technical schools, colleges, etc.

In the academic year 2002/03 several projects aimed at an improvement of the quality of teaching have been undertaken. They include:

- implementation of the ECTS system in all fields of study since 1 October 2002;
- implementation of the Quality Management System in keeping with the standard ISO 9001: 2000;
- introduction of a supplement to diplomas;
- adjustment to SEM FORUM standards and winning accreditation;
- becoming a member of efmd (*European Foundation for Management Development*) and starting preparatory steps aimed at EQUIS (*European Quality Improvement System*) accreditation.

At the moment most of the tasks we undertook with a view to increasing the quality of educational services have already been implemented:

- ECTS system was implemented in all fields of study and during the 2002/2003 winter session students were for the first time ever assessed on the basis of the number of points under the European Credit Transfer System;
- the Quality Management System based on standard ISO 9001:2000 was implemented and on 6 June 2003 certification audit by Det Norske Veritas took place with a view to the checking of conformity with the standard in the scope specified. As a result our college was officially awarded Quality Management Systems Certificate meeting the requirements of standard ISO 9001:2000 on 20 June 2003;
- on 9 June 2003 we were visited by the Accreditation Commission appointed by the Alliance of Business Schools for Quality Education, which wanted to check whether our college meets specific educational quality criteria. We are currently waiting for a report on the visit of representatives of the Manager Education Association FORUM;
- we became members of efmd (*European Foundation for Management Development*) and started preparatory activity aimed at winning EQUIS (*European Quality Improvement System*) accreditation;
- we started to provide graduates with a supplement to their diplomas following recommendation of the Bologna Declaration, Polish Ministry of Education and Sport and the Diploma Recognition Office.

You will find more information on Gdansk Management College at our website: [www.wsz.pl](http://www.wsz.pl)

## References

- *Act dated 12 September 1990 on higher education, as amended*
- *Act dated 26 June 1997 on vocational schools of higher education, as amended*
- *Ordinance of the Minister of National Education and Sports dated 10 January 2002 on the conditions to be fulfilled by a professional college to establish and run a college faculty or a professional specialization (Journal of Laws of 2002, No. 8, it. 64)*
- *Ordinance of the Minister of National Education dated 20 June 2001 on the conditions to be fulfilled by a school of higher education to establish and run a college faculty and on the names of college faculties (Journal of Laws of 2001, No. 71, it. 736)*
- *Development Strategy for Higher Education in Poland until 2010, Ministry of National Education and Sports, 2003*
- *Development Strategy for Higher Education in Poland until 2010, Ministry of National Education and Sports, [www.menis.gov.pl](http://www.menis.gov.pl)*