

The Political Challenges of Economic Reforms in Latin America

Advancing Education Reforms

Throughout Latin America, improving education is crucially important in both economic and political terms. In an era of increasingly open economies, Latin America needs to create a more highly skilled and competitive labor force in order to grow more rapidly. Better education for the children of the poor is essential to provide them with opportunities to improve their incomes. Accelerating growth and reducing poverty depends on better education at all socioeconomic levels. From a political perspective, the sustainability of support for market-oriented policies depends in part on whether or not the middle classes feel hopeful about their children's future. And that depends to a significant degree on the availability of quality education. In the survey by Latinobarometro cited above, inadequate education ranked second behind unemployment as the greatest source of concern among Latin Americans.

The existing problems with education in Latin America have deep historical, cultural, economic, and political roots (see box 4 on contrasts among world regions). Since the colonial period, the elites in the region have relied primarily on private schools for their own children. Public schools for the majority of citizens were given low priority because, in these closed and traditional economies, an educated work force was not regarded as an important factor in development. In the weak public education systems that did develop, the central education bureaucracies and the teachers' unions became bilateral monopolies, managing the system with a view toward their corporate interests and neglecting the interests of their "consumers."^[19] The teachers' unions also became very politicized and often politically powerful. The middle and upper classes captured a large share of available public funds for universities and college-preparatory schools and did not support reallocations in favor of mass primary education. More recently, during the "lost decade" of the 1980s, many Latin America countries cut education expenditures as part of the fiscal retrenchment needed during the debt crisis.

BOX 4. REGIONAL CONTRASTS IN EDUCATION SECTOR PROBLEMS

Although Latin America, Eastern Europe, and East Asia share many of the same problems in their banking sectors, these regions face very different circumstances with respect to education. In the formerly communist states of Eastern Europe, education levels are very high—in part because public education had long been a state expenditure priority. A key challenge now is to open up opportunities for private provision of education. In many countries of East Asia, governments have been successful in giving sufficient attention to public primary education, reflecting in part a strong recognition of the links between education and economic growth.

There are now reasons for optimism about the prospects for reforming education in Latin America. Within the region, there is growing recognition that competitiveness in the global economy and rapid technological change require a well-educated and dynamic labor force.^[20] Indeed, it is increasingly clear that opening up the economy and improving education are mutually reinforcing reforms. Partly for this reason, education

reform is on the political agenda in most countries of the region, demanding the attention of finance ministers and presidents. Considering the better fiscal management in the region and more favorable demographic trends,[21] larger financial resources for education may become available. But there is still considerable debate about exactly what must be done to improve education, and there are many stakeholders. Despite the pressure for change, it is therefore likely that the reform process will take a long time and will proceed at different speeds among and even within countries.

Improving education in most countries requires overcoming these three key obstacles to reform: ineffective and costly central bureaucracies that control public education, powerful teachers' unions that have vested interest in the current systems, and middle- and upper-class resistance to allocating sufficient public resources for basic education.

Although there will almost surely be a diversity of approaches to education reform, a political strategy for reform should in most cases embrace the following principles:

1. Empowering the "consumers," i.e., the parents and local community groups. To play a more powerful and constructive role, parents need information and "voice." As the potential beneficiaries of the reform, they need to be mobilized to provide necessary political support and to provide feedback about what is working. A good public communications strategy is essential—especially when reforms designed to increase local control are initiated from the top—to enable parents and local communities to learn about their new rights and responsibilities. In some countries, parent-teacher associations have been instruments for change at the local level. Empowering consumers also means reducing or eliminating restrictions on private schools so that they can increasingly provide a competitive alternative to public schools.

2. Increasing the autonomy of schools and community-level authorities. In order to break the monopoly of the education "producers" and overcome their vested interest in the current system, it is essential to devolve power and responsibility to lower levels within the education system.[22] The key is to increase the autonomy of individual schools in managing their resources (including hiring and firing of teachers).[23] Experience in some countries, for example El Salvador and Costa Rica, suggests that it may be important to empower local community groups below the level of local governments; the latter are often weak and ineffective.

3. Ensuring long-term political leadership for reform by retaining a good minister of education. The common curse of reform in the sector is the low political profile and the high turnover of education ministers. Since reforms take a long time, the education minister—who must almost always be the lead person for the reform—must remain in office long enough to make progress. If he or she does so and can provide strong leadership, it is possible to overcome the inertia within a central bureaucracy and to overcome its normal resistance to change. In Brazil, for example, even the relatively simple task of speeding up the process of textbook production and delivery could not be achieved during the years when there was a new minister every few months; the current

minister, who has remained in office for several years, broke through bureaucratic obstacles to efficient textbook delivery.

4. Building support for education reform within the business community and within the economic policy-making team by stressing its contribution to competitiveness and growth. Although involved parents are likely to be the "drivers" for reform at the local level, adequate political support for education reform will also require broad support from the private sector. Such support is perhaps most likely to come from those business leaders who are striving to become competitive in global markets and who feel the need for a more educated work force. The core team of economic policy-makers—within the Ministry of Finance in particular—must also be convinced of the long-term importance of this effort. Education reformers need to cultivate the support of both groups. In Colombia during the early 1990s, the inability of the reformers to get their agenda through Congress was in part due to the failure to mobilize support among the powerful business associations.[24]

5. Spending political capital to overcome the resistance of the national teachers' union leadership. In most of the region's countries, the national teachers' union leadership is a major obstacle to reform. The union leaders typically resist decentralization that undercuts their authority, seek to capture any incremental financial resources for teacher salaries and benefits rather than for other inputs, and even oppose performance standards for teachers. Almost no serious reform can take place until the unions' resistance is diminished. Ideally, a government could work constructively with the more progressive elements of the union leadership. But when this is not possible, at an early stage in the reform process, the government must face a nation-wide teachers' strike. The lessons of experience in the region indicate that only a strong and determined government can endure such a strike. Often parents—eager to get their children out of the house and back to school—quickly take the side of the teachers. So it is critical that the government prepare for this battle in two ways. First, it must effectively communicate to the public the issues at stake and gain as much support as possible from parents as well as from local governments and community groups that would benefit from decentralization. Second, in exchange for any decrease in existing teacher benefits and work rules—e.g., very high pension rights and tenure without performance standards—it must offer benefits of value to the rank-and-file of teachers. These might include better training, freedom from excessive bureaucratic control of classroom activities, and opportunities for salary increases based on performance. Even with these elements in place, a government should seek a showdown with the teachers' union only at a time when it is politically strong.

6. Keeping the middle classes in public schools by investing resources in quality enhancements. It is impossible to build adequate political support for a public system that only serves the poor. The middle class needs to perceive that the reforms will make the public system better for their own children. They need to be attracted to the system by its quality, not forced into it by restrictions on private schools. This means that resources cannot be invested only toward improvements in coverage in poor areas and in primary schools.

7. Finding additional financial resources for public primary and secondary schools from outside the education sector, not through cuts in expenditures on public higher education. In many countries, a significant share of public financial resources within the sector is devoted to public universities. Tuition is very low, and this constitutes a massive subsidy for middle- and upper-class students. Equity considerations might suggest that cost recovery should be increased and public resources transferred from higher education to primary and secondary education. However, higher education is also essential for Latin American countries to train a cadre of professionals who can help the economy compete in the global marketplace. Usually public universities—despite the large share of the public education budget—are inadequately funded. Tuition should be increased to reduce subsidies to higher-income students, but these additional resources should be used to strengthen the universities themselves. Financial resources for improving primary and secondary education should be found elsewhere, e.g., by substituting private investment for public financing of large infrastructure projects or by using the financial resources of Social Investment Funds. Such Social Investment Funds have been effective ways to channel resources for school construction by local communities in El Salvador and Bolivia.

8. Building on local successes instead of striving for an all-at-once, nationwide reform. Learning how to involve the parents, to increase school autonomy, to reward teachers for good performance, and to reduce the administrative burden of central control takes good leadership as well as time. Initiatives for successful reform may first succeed at a municipal, departmental, or provincial level. Such local efforts should be nurtured by the central government, which will need to relax or eliminate national controls and norms; the elements of success can then be emulated elsewhere within the country. In some countries, this is a more likely pattern of reform than a wholesale, national, top-down campaign.

Strengthening banking systems and advancing education reform in Latin America will depend on good political strategies by reform-minded leaders. The lessons of experience from reform efforts throughout the region can help in the design of these strategies. Successful reforms in these two areas would contribute significantly to the broader purposes of reducing macroeconomic volatility and improving social protection and services in the increasingly open economies in the region. Progress toward these broad purposes is necessary to preserve political support for market-oriented economic policies.