BRIEF OVERVIEW: THE IMPACT OF THE FINANCIAL AND ECONOMIC CRISIS ON EDUCATION IN CEE COUNTRIES

A summary of answers received to four key questions sent to EI affiliates attending the High Level Seminar & initial responses to the follow-up survey on the impact of the crisis on education

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Introduction

Since the onset of the global financial and economic crisis in 2008, EI has been gathering data and closely following developments related to the impact of the crisis on education in all world regions, particularly in relation to its impact teachers' unions. In January 2009, by means of a questionnaire on the crisis, EI collected information on developments in 40 countries from all world regions. This was done in a period when countries were just beginning to feel the impact of the crisis on their schools and education institutions, as well as its initial effects on teachers' salaries and working conditions.

Countries in Central and Eastern Europe (CEE) have been particularly hard-hit by the global financial and economic crisis since the end of 2008. Cuts across education budgets and teachers' salaries, redundancies and hiring freezes have been the result of reductions in public spending by governments hoping to reverse their fiscal deficits, which may be a conditionality set on a loan given by an international financial institution (IFI) such as the International Monetary Fund (IMF).

The following brief overview of the impact of the global economic crisis on education sectors in CEE aims to give an impression of what the current situation is with regard to the impact of the crisis on education sectors in CEE countries, unions' roles in negotiations with governments concerning loans, expected consequences of the crisis on education for the academic year 2009/10, and desired assistance from Education International.

The data below was compiled from answers to four questions completed by EI member unions taking part in the high level seminar and initial responses of affiliates to the follow-up survey on the impact of the global financial and economic crisis on the education sector. Additional information was drawn from secondary sources. This brief overview is structured according to the four questions received by EI member unions.

EI would like to thank all the unions – listed in the table below - who contributed to this data-gathering exercise.

Country	Acronym	Union
Croatia	IURHEEC	Independent Union of Research and Higher Education Employees of Croatia
Estonia	EEPU	Estonian Educational Personnel Union
Hungary	KPSZ-KPT	Workers Councils' Teacher Branch (MUNKASTANACSOK)
Latvia	LIZDA	Latvian Education and Scientific Workers' Trade Union
Lithuania	CTUEW	Christian Trade Union of Education Workers
Macedonia	SONK	Trade Union of Education, Science and culture Republic of Macedonia
Poland	SKOiW NSZZ	SKOiW NSZZ Solidanosc
Romania	ALMA MATER	Federaţia Naţională Sindicală, ALMA MATER
Serbia, Republic of	NTTU	Nezavisnost Teachers Trade Union
Slovakia	OZPŠaV	Trade Union of Workers in Education and Science of Slovakia

Have there been, or do you expect, cuts to the state budget for education?

The first revision of the budget in the **Republic of Serbia** in April 2009 led to a decrease in promised new investments by 25 percent. The Serbian government is considering further cuts in public spending, but it is unclear how this will affect the education sector. Prior salary increases that were anticipated, and approved due to inflation, were not realised.

In **Lithuania**, the state budget for education is expected to decrease by 8 percent, which will result in a reduction of teachers' basic monthly salaries by 4.7 percent as of September 2009. Unions' participation in negotiations with the government led to the lowering of intended public sector wage cuts from 10 to 8 percent. Unions were additionally able to negotiate the reformulation of laws so as to grant greater financial autonomy to educational institutions without the intervention of local governments.

In the **Czech Republic**, government spending on education is planned to be reduced by 5 percent in 2010 (a total of CZK 3.2bn), which will include a cut to teachers salaries. Likewise in **Slovakia**, during the summer of 2009 the state budget has been revised, and expenditure will be cut in all sectors including education.

By comparison, in **Romania,** the overall budget allocation for education has already been reduced by 10 percent (approximately RON 700m). Teachers have faced delayed payments of their salaries, as well as redundancies. Moreover, the government has failed to give effect to a law governing a rise in teachers' salaries that was previously approved in October 2008. In higher education, national scientific research competitions, whereby universities are able to compete for additional funding, have been suspended for 2009. Additionally, budgets for research projects currently in progress have been severely reduced by 70 percent.

In **Estonia**, minimum salary rates of teachers that were initially increased by 8 percent at the beginning of January 2009, have since been lowered to the salary levels received in 2008 (a first reduction of 4 percent took place in March 2009, and another 4 percent reduction in July 2009). Non-salary compensations such as health care/insurance and subsidised child care have been reduced (the latter by 20 percent). Administrative staff and support personnel have been laid off and a freeze on recruitment has been applied. Further cuts to education have taken place in the area of expenses for maintenance and renovations of education institutions. Schools have however not been closed and teachers not been laid off. In other public sectors, salaries have been reduced by 10 percent.

In **Bosnia & Herzegovina,** education sector employees have seen their salaries cut by 10 percent (Latal, 27 August 2009) as well as in **Hungary,** where spending on education has been reduced by 10 percent and salaries have also been cut by 10 percent. Additionally, non-salary compensations such as unemployment compensation, expenditure on retirement programmes, maternity benefits and pension schemes have also been reduced in Hungary. Similarly in **Poland**, expenditure on retirement programmes by employees and pension schemes have been reduced, and foreign language and science classes have been reduced at the secondary level in Poland.

Latvian teachers currently face a salary cut of at least 20 percent, which is significantly higher that cuts faced by other public sector employees. As of September 2009, the central government's overall budget for teachers' salaries in primary and secondary education is expected to be reduced by 50,9 percent.

Basic pay has been reduced by 6 percent across the public sector in **Croatia** including for teachers, and the total education budget has seen a 9 percent cut. The education sector in **Macedonia** has also seen overall budget reductions.

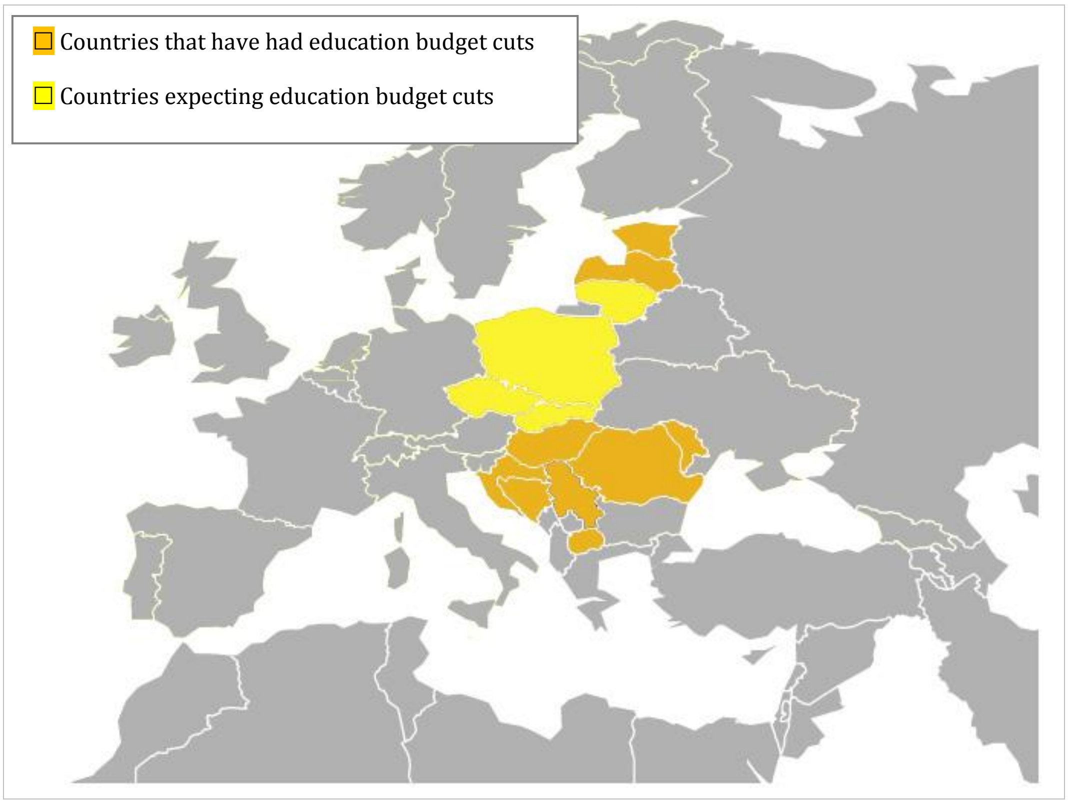

Fig. 1 – Overview of countries that have had, or are expecting cuts in the state budget for education

If your country has negotiated a loan, have you been consulted or involved during such negotiations in any way?

The governments of **Bosnia & Herzegovina, Latvia, Hungary, Poland, Republic of Serbia** and **Romania** have negotiated loans from the International Monetary Fund without consultation or involvement of unions in the course of negotiations. The IMF and the European Commission provided **Latvia** with a combined €7.5 billion bailout in December 2008, and further loans were received from the European Commission in February 2009 (€1bn) and in July 2009 (€1.2bn). LIZDA, EI's affiliate in **Latvia**, reports being formally involved in discussions in the context of the crisis but little more.

In **Bosnia & Herzegovina** the IMF and the Bosnian government have agreed on a €1.2bn loan, the conditions of which include cutting the state budgets in 2009 and 2010. Of the two entities, the Federation is making the largest spending cuts, amounting to 10 percent of its budget. Reducing public spending, and social benefits, will have serious consequences in a country where the unemployment rate was already over 40 percent, and could lead to social unrest between the country's two entities, consequently hampering negotiations.

EI affiliates in **Hungary** (Workers Councils' Teacher Branch, MUNKASTANACSOK) and **Poland** report a poor relationship with the national, regional and local governments, and have not been consulted in the context of the crisis. **Hungary** was the first country in the EU to receive an IMF led bailout of €20bn to avoid bankruptcy in 2008. **Poland** requested a Flexible Credit Line (FCL) from the IMF in early 2009, which was granted in April 2009 to the amount of €15.5 bn.

The government of **Romania** has negotiated and signed an overall €20bn loan from the IMF, the World Bank and the European Bank for Development. Of this overall €20bn loan, the IMF is providing €12.95bn in the form of a 24 month Stand-By Arrangement, the European Commission is providing €5bn and the World Bank €1.5 bn. An additional one billion Euro is expected to be raised by other financial institutions (EurActiv, 2009). National trade union confederations were partially informed of these negotiations, however not consulted nor included in the process. As a measure to meet conditions set by the IMF with regard to the loan, the government intends to cut public expenditure by 1 percent of GDP per year in 2009 and 2010.

Estonia has negotiated a five-year loan with the European Investment Bank (EIB) to the amount of €550m, intended to co-finance investment projects with EU funds and for the financing of infrastructure projects. EEPU in **Estonia** reports having been involved in negotiations with the government concerning salaries and working conditions of teachers.

The Independent Union of Research and Higher Education Workers in **Croatia** and the Christian Trade Union of Education Workers (CTUEW) in **Lithuania**, both countries which are not negotiating or receiving a loan from the IMF, World Bank or the European Union, report having been involved in negotiations with the government as to the follow-up on the economic crisis. In **Croatia**, the union reports being involved in negotiations with the government concerning investments in education as well as a stimulus package, and have a representative who is involved in the government economic advisory committee. In **Lithuania**, the union has been involved with the government in negotiations concerning the retention of working places for teachers, as well as questions related to the remuneration structures for teachers.

What consequences do you expect the crisis to have on education in your country at the beginning of the next school/academic year?

The Nezavisnost Teachers' Trade Union in the **Republic of Serbia** expects that the amendment of the budget in September 2009 will lead to further reductions in the education sector. New legislation on education will likely affect the salaries of education employees in the form of freezing of salaries, and may result in fewer teachers hired to fill vacancies.

Likewise, in the **Czech Republic** the Czech and Moravian Trade Union of Workers in Education (CMOS-PS) expects that the government will drastically cut the education budget for the 2009/10 school year, which will adversely affect the quality of education in a country where investments in teacher training, school infrastructure and adequate salaries has been lacking for some years.

In **Estonia**, EEPU expects that teachers will face an increased workload as a result of the lay-offs, and the freeze on further hiring of support staff.

As a result of the deadlock in negotiations with the government in **Romania**, education unions have planned general strikes to take place in September 2009, coinciding with the beginning of the 2009/10 academic school year.

In **Slovakia**, where expenditure on education is tied to municipal budgets, decreased tax revenue is likely to lead to financial constraints in spending on education.

What assistance do you require from EI in relation to the crisis?

The Nezavisnost Teachers' Trade Union in the **Republic of Serbia** hopes that EI will be able to support its affiliates by encouraging the national government and financial ministers to not implement further cuts to the education sector, which would impair the quality of education in the future. Additionally, the union would like support in the organisation of seminars and round tables on the economic crisis, as well as support in the development of information materials for dissemination such as manuals, that would help to strengthen the unions' capacity to negotiate with the governments.

Similarly, EI's affiliate Alma Mater in **Romania**, would like to receive EI's support in encouraging the government to apply the law governing the teacher's wage rise.

SKOiW NSZZ Solidanosc, EI's affiliate in **Poland**, stated in EI's follow-up survey on the impact of the global economic crisis on the education sector, that they would like to receive support to enable them to enter into negotiations with the Polish government, and to receive background information to understand the basis of the global economic crisis.

Furthermore, EI affiliates in **Estonia**, **Lithuania**, **Macedonia** and **Slovakia** would like to receive general information on how the global economic crisis is developing, become better informed about the situation in other countries in the region, and to share examples of successful negotiations and/or practices that could be applied in their own countries. Additionally, the Latvian Education and Scientific Workers' Trade Union would like to engage in an open discussion with members and leaders of education unions, in order to better organise and plan actions in the face of the crisis.

Additional Sources

EI (2009) 'The Global Economic Crisis and its Impact on Education' (Brussels, Education International)

EurActiv (2009) 'Romania gets Largest EU Bailout to Date" (Brussels, EurActiv website, 26 March 2009, accessed on 28 August 2009) www.euractiv.com/en/euro/romania-gets-largest-eu-bailout-date/article-180663

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