

# An approach to ODL policy from TRIBUNE (DELTA programme 1992-94)

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## Abstract

Moving from a discussion paper presented within the TRIBUNE project (DELTA Programme 1992-1994), in this article the author reflects on the relevant role of public authorities in the open and distance learning market. Public authorities "interference" should, in principle, be justified in terms of benefits that could not be achieved without public intervention. The article also explains that ODL can be defined as public good which deserves public intervention on the basis of three main reasons: it has intrinsic characteristics that result in "externalities", i.e. social benefits, the value of which is not effectively considered by market forces; there are imperfections in the ODL market; the good is not accessible by disadvantaged sections of society who could benefit from it. Keeping this in mind, the author then describes 12 main categories of policies for ODL, including financial and non-financial support, R&D, institution building, technical assistance, legal policies, agreements, information, creation of infrastructures and discusses their likely impact on market development.

## Keywords

ODL market  
Public intervention  
Public good  
ODL policies

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This paper is a slightly modified version of the introductory chapter of the booklet "Policy Making and Monitoring of ODL Development" developed by the TRIBUNE project co-ordinated in the framework of DELTA. TRIBUNE was a DELTA Project in charge of dissemination of European R&D activities in the field of technologies for learning.

## 1. Objectives and Approach of the Working Panel

Within the project, the TRIBUNE Working Panel on Policy Impact concentrated its attention on policies that support open and distance learning (ODL) undertaken at European, national and regional level.

These policies are not easy to be identified, nor to be classified, for a number of reasons:

- the field is relatively recent and literature on the subject is scarce;
- some policies of a rather general nature are relevant to support, even if their main focus is different (new qualification systems, organisational innovation in education, support to technological innovation, etc.);
- terminology is still rather confused on the issue;
- the broadness and time perspective of public interventions vary from simple actions to measures (as integrated sets of actions) to real medium-long term policies.

The main objective of the panel was to improve the practice of assessing the effectiveness of public intervention on the market of ODL; immediate outputs, short term outcomes and medium-long term impact are the main objects of the analysis proposed.

In order to get an appropriate perception of effectiveness, contextual elements have to be considered as well as the behaviours, attitudes and strategies of all actors involved (not only the policy makers in public institutions).

That is why the need was felt, at a certain stage of development, to link the two Working Panels in TRIBUNE, (Policy Impact and Good Practice): examples and principles of good practice should inform the policy making and policy assessment process to guarantee relevance to public intervention; policy awareness is an element of good practice that, when not perceived in its importance, may keep many interesting pilot experiments away from significant dissemination and multiplication perspectives that can only be achieved when they are integrated in mainstream policy developments.

The Panel moved from work developed by the EIOL project in the Exploratory Phase of the DELTA Programme, that is summarised in the two following points; it checked the terminology used and agreed on some basic tools to study policy outputs, outcomes and impact, and on some cases of public action in Europe to be studied to check the relevance and usability of these tools.

While progressing on these issues, the over-technical nature of the effort generated a reaction of participants aimed at discussing some key issues underlying the present debate on policies to support ODL: that is how a certain number of questions were identified, discussed, compared with those emerging in the other TRIBUNE Panel; at the end of this process panel members wrote some short contributions on these key questions, that were then discussed in plenary, modified and reported in the report booklet.

The objective of defining some principles and tools to improve policy assessment was not abandoned, and is covered by some of the individual papers.

In the following points some parts of the first discussion paper presented to the Panel are reported, introducing respectively the issues of rationale for public intervention and classification of actions.

## 2. The importance of public policies in education and training, particularly in the open and distance learning market

In every single market public policies are an element to be considered in order to explain with full awareness the size of the market, the number of sellers and buyers, the product and pricing behaviours of producers and so on.

This is true for the consumer goods markets, that may resent from competition policies or consumer's protection legislation; it is, of course, much more important for those sectors, like education and training, in which the service produced has a "social" relevance that justifies the intervention of public authorities.

This "market" is very recent in some countries and not yet existing in others and the actors are difficult to be clearly identified. A wise assumption to be made is that such a market is only a part of the more general and complex education and training market, and is related in a rather original way with other more consolidated markets like publishing, software, telecommunications, audiovisuals.

Since it is part of the education and training market, public authorities have a very relevant, often dominant role: the conditions of competition are so altered by the public presence that many categories of classical industrial economics are hardly useful.

Here are a few examples of the influence that public policies might have on the open learning market.

The public sector, for instance, may be the most important customer for a great number of training providers, and through its choices often makes the success and the failure of small specialised business, including schools and training centres, which are not able to survive without contracts with the Public Administration.

Legislation is another obvious example of the weight of public policies: the recognition of titles, the setting of standards, the provision of financial or fiscal incentives to producers or buyers of open learning products can influence in a dramatic way the development of a market.

Public authorities' "interference" should, in principle, be justified in terms of benefits that could not be achieved without public intervention, i.e. improving the functioning of the market and/or providing maximum satisfaction to ODL.

From an economic point of view, there are three main reasons for considering a good as a "public good", that deserves public intervention in the market:

1. because it has intrinsic characteristics that result in "externalities", i.e. social benefits, the value of which is not effectively consider by market forces. An example of this can be the benefit of non - work - specific training and education that a company is not willing to pay for its employees, because they can use it to find another job; the society as a whole, on the contrary, wants the public sector to intervene to provide it or to help its provision by private actors;
2. because there are imperfections in the market, such as lack of information on products and prices, monopolistic situations, slow adjustment times by private actors, lack of accepted rules in a new market;
3. because the good is not accessible by disadvantaged sections of society who could benefit from it, or because the nature and quality of the good is different (or perceived as different) depending on *who* provides it and notably on the public or private nature of the provider (e.g. television programmes, health services, research). Both categories of reasons fall under the class named by economist as "social environment" explanations.

ODL cannot be defined as a public good on the basis of one alone of the three categories, rather it possesses elements that could justify all the three kinds of motivations.

Being part of the education and training market, it brings *externalities* whose value is not totally perceived

or anyway cannot be paid by the single buyer, but must be taken in charge by the Public Administration. Furthermore, ODL may improve the level of efficiency of the education and training systems.

Certainly ODL *market imperfections*, which are many and evident, may call for government action to support the functioning of the market (provide information services, propose standards, encourage competition by supporting small producers, etc.).

Finally, the accessibility of ODL is a characteristic that can attract public action to make available good quality education and training to disadvantaged groups of population who may be neglected by traditional supply of education and training.

In some concrete cases, this has encouraged governments to set up public institutions like Open Universities to ensure the quality of distance learning through public provision: in other cases grants have been given to private producers who committed themselves to certain standards of quality. These public interventions can find their motivation in the category of “*social environment*” as defined previously.

In conclusion, open learning presents many features of a “public good” that justify public intervention in the market: each action can be explained referring to one or more of the three categories of “economic” motivation. This is the reason why a classification is proposed, which takes these categories as one of the matrix dimensions.

#### Motivations for public intervention in the market

Externalities	- improved efficiency - wider public for a public good like education
Market imperfections	- improved information on the market - improved competition - consumer's protection
Social environment	- socially disadvantaged groups - “organisationally disadvantaged” groups - different quality of public/private supply

Of course, we do not think that these three categories have been the real motivation of each single policy maker in this field: imitation, vested interests, personal prestige, cultural and political background can be very important in the decision taking process, but for analytical purposes we think that we should concentrate on the economical and social motivations that have been introduced.

The development of ODL is linked to new technologies and new teaching methods and is influenced by the pace of innovation in advanced industries that creates opportunities for innovation in ODL sector itself (the “cross-fertilisation effect”).

It is important that information flow is activated and producers are correctly informed of the possibilities opened up by advancement in other sectors; consumers are acquainted with the new learning technique and training opportunities available. A correct information finally reduces/eliminates rent-positions arising from lack of knowledge.

When a new sector develops fast, public action is called upon to define the new rules of the game, in terms of exchange rights, property rights, and in general any rule and regulation that improve the correctness of the market.

The public role in the ODL sector has the dual nature of: a) direct intervention to offer public ODL goods/services; b) indirect intervention to enforce a correct functioning of the market where public and private producers coexist.

The direct role of government in the ODL market is largely legitimated on the basis of considerations about the “social environment”. Though private activities can meet large segments of the ODL demand, there is a “social” demand for ODL that may not be matched without the direct public intervention.

On the other hand, indirect public actions are needed to improve the functioning of the ODL market irrespective of who is the supplier; indirect interventions can take the form of improvements in information flows; reduction in transaction costs; enforcement of competition in rent-seeking segments of the ODL market; improvement of basic infrastructures to support ODL.

### 3. A tentative classification of public actions

In the DELTA-EIOL report on “Policies to support the development of the open learning market in Europe”, a set of policies has been identified. Each policy was then commented in terms of:

1. its relationship with aims that actually legitimate public action (social environment, market failure,

- externalities);
- 2. its likely impact on the demand or supply side of the ODL market;
- 3. its costs and benefits.

The following are twelve main categories of policies for ODL classified according to their nature. The implementation of one policy can impinge upon different rationales and may involve different instruments (legal, institutional, technical, financial).

1. **Financial support to consumers.** In order to guarantee everybody's access to ODL, financial schemes could be designed to support target groups of ODL users. This could take the form of training grants, loans, and training allowances. In terms of cost-benefit analysis, the cost has to be compared with expected benefits, both measured not only in terms of direct effects but as well in terms of indirect effects such as externalities or reduced social inequalities. If, for example, it is estimated that ODL training would generate important externalities (for example in the form of a diffusion of a modern form of thinking and learning), this benefit would shift positively the demand curve and legitimate the discussed price policy.
2. **Financial support to producers.** The ODL being an innovation-intensive industry, financial incentives may be necessary to promote fast development and reduce R&D costs. This target could be achieved through provision of soft loans - in a way similar to the soft loans for technological innovation introduced by many countries - or in the form of substantial co-financing of production. The case of a subsidised price can also be applied to the context of a policy aimed at protecting an "infant industry" (ODL is still, in some European countries, an infant industry). If the government wishes to protect from international competition local producers it can: a) keep the price below  $P_i$  by subsidising the price difference  $(P_a - P_i)$ ; b) tax import of ODL by the amount  $(P_a - P_i)$ , or c) erect trade barriers to import. These options can be justified only when the "infant industry" can develop fast and become competitive soon, so that any barrier to trade can be removed.
3. **Public tenders.** A non-financial form of support to producers is via targeted policy of public tenders. Governments may invite private and public firms to submit proposal for publicly-financed ODL programmes to be run within these public organisations for their staff. This may attract newcomers in the sector and induce existing firms to pay more attention to ODL opportunities. The changes which will occur in the ODL market as a consequence of a push in the demand curve resulting from a policy of tenders. The demand curve will move to the right increasing the price and the quantity of materials produced. The new price will mobilise new resources into the ODL sector; if barriers to entry are low and the tenders open to newcomers, new firms will enter the market. Enhanced competition due to a larger number of firms, achievement of larger economies of scale, progress in the learning curve resulting from greater quantities produced will impact upon the supply curve (marginal costs will drop). In many countries the largest segment of the education/training system is public. The ODL-contents in education/training activities (with few exceptions) is low and policies based on public tenders can be effective in developing the ODL market acting on both the demand (stimulating production) and supply (introducing ODL in traditional courses) of ODL.
4. **Price and tariffs.** A different form of financial support can be provided through the setting of prices for ODL material and training and tariffs for the use of telecommunication facilities. Subsidised consumer/producer prices and tariffs would affect both demand and supply in the ODL market. The effects of financial support can be assessed on the basis of the approach used before. However, what is important to underline here is the role of "complementary goods". This can be illustrated taking the case of computers: the purchase of a computer for ODL purposes may be a main cost for an individual and largely outweigh the cost of ODL materials as such, thus representing a barrier to access to modern forms of ODL. If the purchase of computer is subsidised (for example through a soft loan), the ODL activity becomes more accessible. The subsidisation of computer purchase could be justified on social ground (low-income people, remote communities) but also in terms of the externalities on ODL activities. A subsidisation programme that increases the number of consumers, in a sector like ODL with high economies of scale, will reduce the marginal and average costs of training; the savings in the training activities could compensate for the cost of subsidising the purchase of computer equipments.
5. **Research and development.** When special needs are identified, the market should be scrutinised to assess whether it is capable to satisfy them. When capabilities are not there, public actions can be taken to promote adequate response. This can be achieved through direct intervention in the form of creation of public R&D bureaus or by supporting private sector efforts in R&D. Assume that the government is interested in developing new modalities of training in open learning by employing new technologies or new learning tools, and considers financing an intensive R&D programme to be carried out by public structure or private companies. The issue is to measure the pay-off from the R&D effort. The costs of the programme can be identified in the actual financial costs of carrying out the programme (man-days; equipment; overhead). More difficult is the estimate of the revenues of the R&D programme that will depend on the applications of the innovations. If the ODL innovation is introduced in existing public training courses (in a context of fixed total supply), the revenue will be largely the results of cost-savings in ongoing activities. If the ODL product will be commercialised, the return will be given by the selling price by the number of units

sold.

In both cases, when financial values do not coincide with social values, they have to be adjusted to reflect their true value. Assuming that we can reasonably estimate the expected revenues, the R&D programme convenience can be assessed in terms of welfare gain from changes in the supply.

If the R&D programme pays off, then is a choice of how to implement it, whether within field of public activities or by entrusting private companies that might be better equipped. If no capabilities are available, then the R&D program can be associated with institution building action.

6. **Institution building.** When there are market imperfections public action can support the market through institution building. Examples could be Open Universities, public centres for R&D in ODL technologies and methodologies; information bureaux; bureaux of ODL standards; centres for ODL training and development. The framework for the analysis of R&D programmes can be adopted to assess other kinds of public action that involve public costs that generate indirect benefits in terms of expansion of supply.

Once the need of a public action has been motivated on the basis of market imperfections, then the cost of supporting the market by creating new public institutions (Open Universities, bureaux of standards, bureaux of information, R&D centres, technical assistance units) is weighted against the expected social benefits.

7. **Technical assistance.** Existing and new training organisations may need forms of technical assistance in order to be able to effectively introduce innovative ODL programs. Technical assistance may take several forms:
  1. methodological assistance;
  2. technical assistance;
  3. assistance to different users.

Implementation of public action can be:

1. direct, by setting up a technical assistance centre, following the lines discussed above for institution building);
2. indirect, promoting private technical assistance services (for example, by contracting private firms);
3. even less direct, providing training to people who will be able to spread the know-how.

Each option has its merits and has to be seen in its specific context. The less developed the market, the more direct the form of intervention has to be; the costs and benefits of the chosen option will have to be assessed as in the cases of R&D and institution building.

8. **Legal/regulatory policies.** These policies are aimed at protecting "ownership" and "exchange" rights in the ODL sector. This will include specific measures such as the certification of ODL training received/offered as well as more general measures such as the enforcement of Patent Laws or Antitrust Laws.

When the purchase of ODL is seen by individuals as an investment, it is important that the investment be recognised by the market as such. If ODL were to hold a legal status inferior to other forms of traditional training and entrepreneurs were keceptical about it, individuals would be discouraged to buy ODL as an investment in human capital. Demand for ODL (both direct and through intermediate training organisations) would decrease.

This would probably expand demands of alternative (more traditional) forms of training. If the quality of ODL is better or at least equivalent to other forms of training, the resulting shift in the quantity of training demand would create a mis-allocation of resources and social losses. Certifying training standards reached by ODL, would instil correct signals in the ODL market. The cost would probably be very low (for example, the cost of setting up a bureaux of ODL standards) but social benefits may be high.

9. **Agreements, norms and codes of conduct.** Public action can promote and encourage agreements between parties. These agreements do not necessarily need to have legal status as long as they set the norms and codes of conduct for the parties involved. They could, for example, facilitate access to ODL training by workers; specify workers' training leave conditions; set conditions for priority access to ODL by disadvantaged people.

Agreements between parties can be important in improving the smoothness of the ODL market. A typical example are agreements between employers and trade unions that set conditions and norms under which employees can attend ODL courses within and outside the firm.

These agreements can take two main forms: a) they recognise that different groups can benefit from ODL (i.e. the firm, the employer, the society) and apportion the relevant costs accordingly; b) they pursue ways and means of minimising the time spent outside the working place, reducing production losses for the firm and income losses for the worker. Agreements could also set special conditions for attending courses by the weakest groups in the firm (low-education workers; young people; women). By reducing the cost of attending ODL activities (for both the firm and the worker), agreements tend to support the demand for ODL. At the same time, they can contribute to define and implement forms of more equitable access to training opportunities by the weakest groups.

10. **Information.** The task of supplying a correct and timely information is an important item in a public agenda for action. Advertisement of ODL opportunities could acquaint consumers with new training opportunities; guidance could be provided to trainees; statistical information on the demand of ODL could help suppliers to plan production.

The ODL sector enjoys a high rate of innovation in terms of training methodologies and

technologies adopted. It is important that potential consumers of OL are aware of all the possibility that the innovation in ODL creates and, at the same time, that producers appreciate the potential market for ODL. Since: a) large segments of ODL production is public; b) large segments of training intermediaries are public; c) other producers and consumers are highly dispersed, the role of providing adequate and timely information falls under public action. The benefits are expected to be substantial not only in reducing the “cost of exchanging” on the ODL market but, most important, to bring demand from a latent to an actual state and encourage supply to follow.

11. **Creation of physical infrastructures.** The public sector often has the monopoly of the supply of basic infrastructures and services such as telecommunications. It also has a large (often dominant) role in the media industry. A possible line of action for the government therefore lays in the provision of adequate supply of infrastructures and services needed by ODL activities. Infrastructures generate large externalities, require high initial costs, and give adequate economic returns only when high economies of scale are reached. The use of infrastructures by ODL may be intensive for data and images transmission. The implication for public action is two-fold:
  1. assess whether the infrastructure network is extended enough to meet the needs of ODL (reach remote areas, be accessible to individuals) and,
  2. define the conditions at which ODL users can have access to the infrastructures (time, cost, forms of contracts with public agencies). Some issues related to infrastructures, such as tariff, have been discussed under different policy-headings.
12. **Creation of “human infrastructure”.** Actions can also be taken to supply human infrastructures (skills and expertise) necessary to develop ODL on a significant scale. The investment on human capital often falls under direct public action. This is even more true in those sectors, such as ODL, in which a large segment of production and/or consumption of final goods is public. Human infrastructures increase the productivity of the sector and bear important externalities for other sectors.