



Meeting of OECD Education Ministers

Higher Education: Quality, Equity and Efficiency

27-28 June 2006 / Athens

[Business and Industry Advisory Committee to the OECD (BIAC)]

**BIAC Statement to the 2006 OECD Meeting of the
Education Committee at Ministerial Level**

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Education

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HIGHER EDUCATION: QUALITY, EQUITY AND EFFICIENCY

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I. INTRODUCTION

1. The international business community welcomes the opportunity to present views OECD Education Ministerial Meeting addressing Higher Education: Quality, Equity and Efficiency.
2. Education is essential to a healthy economy. The creation of intellectual capacity as a quality of human capital is a key factor to foster economic development. It enhances countries' competitiveness and increases their attractiveness for investors who call for skilled employees with high levels of education.
3. In today's global economy, the number of higher education institutions is increasing, and they are increasingly diversified. Cross-border education has grown significantly, and new technologies are reshaping education programmes. These changing forces bring with them new challenges that need to be effectively addressed by governments, academic institutions, business, students and other stakeholders.
4. The international business community regards as necessary to clearly identify and effectively address the purposes, governance and sustainable provision of higher education institutions. Excellence in higher education systems in terms of quality, equity and efficiency will contribute to economic growth, job creation, competition, and social cohesion.
5. As we have stated previously to the OECD, many companies are deeply involved in helping education institutions with the assessment of attributes that employers will be looking for in their recruits in the coming years. They consider the skills that will be in demand; the breadth of education required for different areas of work; and the timing of opportunities and the number that are likely to become available.
6. Business and educational institutions benefit from the sharing of this information, which ultimately serves to aid the decision making process of students that will eventually enter the job market. Business should also share experiences and tools with respect to quality systems and organizations of professionals with education. Of course, higher education institutions are not companies, but we are convinced that sharing experiences between business and educational institutions can support the development of education systems at large and individual institutions in particular.
7. In this context, BIAC is pleased to provide the following views on the main issues to be discussed at the 2006 Meeting of the OECD Education Committee at Ministerial level.

II. IMPROVING THE QUALITY RELEVANCE AND IMPACT OF HIGHER EDUCATION

Higher education for the 21st century

8. Higher education institutions need to cope effectively with the demands of the increasing knowledge-based society combining economic performance with social inclusion.
9. The increasingly dynamic labor market brought on by globalization has necessitated an important shift in thinking about goals of education. Rapidly evolving job profiles responding to market needs require employees to have an education that equips them with the ability to respond and adapt to market changes, and new technologies. This need will even become stronger as a result of changing demographics. Likewise, management of companies is increasingly horizontal, requiring teamwork to complete complex tasks, and emphasizing entrepreneurship in exploring new business opportunities.
10. Higher education needs to be managed and equipped to respond to these new market realities. This entails school objectives shifting from only or mostly pure cognitive goals and “ready for use” vocational qualifications, towards emphasizing basic knowledge and skills, including practical and ICT-skills, complemented by social and personal skills, interdisciplinary approaches, diversified working methods and the ability to learn throughout life.
11. We are aware that many institutions have successfully included and developed the provision of training and research activities into their educational systems. However, we believe that there is still more work to be done. BIAC believes that advanced vocational education, i.e. polytechniques and other continued technical education and training, should be actively promoted as a complementary option to traditional higher education systems. Besides e-learning, vocational education is a very useful instrument to achieve higher education for all, especially for those without high levels of traditional academic education.
12. In order to improve the quality of education systems there should be regular contact between business and higher education institutions. Business can provide important guidance for research and vocational education. Higher education institutions can in turn adjust their curriculum in accordance not only with social but also with economic needs. This approach should not conflict with the freedom and autonomy of institutions. On the contrary, autonomy will enable institutions to be dynamic and responsive to the needs of society at large as well as the market.

II. THE PURPOSES, GOVERNANCE AND SUSTAINABLE PROVISION OF HIGHER EDUCATION

13. Higher education, which we consider in this paper to encompass both academic and higher vocational education is a critical factor for the development and growth of our economies.
14. Higher education institutions also provide a major contribution to research and innovation by training skilled workers and promoting scientific and technological research through their educational mission.
15. It is therefore essential that higher education institutions are well managed and efficient in order to maximise their benefits to society at both the local and international level.

The Governance of higher education institutions

16. BIAC regards good governance as a necessary condition for achieving high quality in the overall higher education system and should pertain to the formal and informal arrangements that allow higher education institutions to make better decisions and take effective actions. The internationalisation of higher education driven by the substantial increase of cross-border mobility of students and skilled workers is also impacting the way higher education needs to be governed.
17. While we note in some OECD countries this is already the case, generally, greater autonomy should be given to higher education institutions. Autonomy should be recognized as an important instrument that allows institutions to adapt more effectively to the needs of their changing populations.
18. However, autonomy can only be effectively implemented if higher education institutions ensure greater accountability.
19. Higher education institutions must be accountable to their sponsors. Academic institutions must ensure to all stakeholders – i.e. government, business, students and local communities, that resources are being properly utilised.
20. Furthermore, it is essential that higher education institutions should inform in a transparent manner about their actions, successes and failures – taking into account as well their specific goals and strengths, to constantly improve the quality of the system.

Governance inside higher education institutions

21. Higher education institutions must also be well managed internally.
22. Good governance should serve as the parameters for good management of academic institutions. Just as mismanaged companies can not flourish, higher education institutions cannot fully meet the needs of their stakeholders if they are mismanaged.
23. Thus, BIAC encourages academic institutions to address new management systems where leaders should have not only first-class educational backgrounds but also excellent managerial skills.
24. To this end, higher education institutions should seek greater participation of outsiders including representatives of local community, governments and stakeholders in the governing board of their institutions. An effective management of higher educational institutions can be better addressed by considering the input of these outsiders ensuring in this way, greater accountability and transparency in the system.

The following are BIAC views on the issues raised by Plenary Session I including: Who should pay for higher education; Measuring the quality and impact of higher education; and Higher educations contributing to research and innovation in a global knowledge economy.

The Sustainable Provision Of Higher Education: Who Should Pay For Higher Education

25. The quality, equity and efficiency of higher education institutions can only be improved if appropriate funding is available. Funding levels should be allocated in an adequate, stable and secure manner in the short and in the long term.

26. BIAC considers it essential that higher education institutions receiving public funding should in turn be held accountable to the government and its taxpayers. Performance indicators and targets should be established in order to manage this accountability.
27. Some higher education institutions benefit from high levels of public and private financing. Considering that students' participation in higher education is strongly increasing, this model will not necessarily be sustainable over the long term.
28. The following points outline a number of approaches that BIAC feels will be necessary to consider in achieving sustainable funding for higher education institutions:
 - a. Governments have a crucial role in providing stability to tertiary education institutions. Governments should maintain and if possible, increase the allocation of funds towards these institutions. Business is aware that governments face financial pressures on public spending and that their resources are limited. However, providing adequate funding for higher education can be translated into benefits for the society and for the economy in general.
 - b. We stress the importance of good governance of higher education institutions. In this context, additional financial support can also be found within the institutions in pursuing a more effective management and paying greater attention to the cost-benefit criterion. Thus, substantial cost savings could be achieved and re-invested to provide high quality outcomes.
 - c. Sustained investment by the government and high quality outcomes can attract more private money. Students will be prepared to pay a higher fee for high quality education that offers a good perspective on return. In the same vein, companies will consider public private partnerships with excellent research institutions. In other words, higher private investment should be the result of increased relevance and quality as well as accountability of higher education institutions.

Measuring the Quality and Impact of Higher Education

Ensuring excellence of higher education institutions through effective mechanisms of evaluation and accountability

29. BIAC stresses the importance of systems of accreditation in higher education. Accordingly, the allocation of resources for universities should be driven by competitive mechanisms of evaluation that take into account both, scientific and socio-economic targets.
30. In order to compete successfully in the ever more internationally and competitively organised field of education, higher education institutions need comprehensive quality management, a system for developing and assuring quality in study, research, and service provision, as well as with respect to their own autonomous profile. A higher education institution that cannot demonstrate and effectively document its excellence in these areas will not survive in competition.
31. Relationships between governments and autonomous higher education institutions also require an appropriate degree of transparency in the deployment of resources and an accountability relating to all activities.
32. Measures for assuring and developing quality must go beyond the study assessments that have been introduced by many higher education institutions. The study assessment

instrument only leads to acceptable results if it is incorporated in the overall process. This includes student choice, accreditation of study programmes and institutions, long term strategic planning, resource allocation and organisational development.

33. Furthermore, quality management procedures, strengthen internal self supervision mechanisms and thereby contribute to a systemic development of strategies for quality assurance and improvement.
34. Scientific evaluation agencies nominated by governments can also stimulate the excellence in higher education institutions. These agencies can address scientific assessment by combining elements of both an assessment of the state of knowledge in a scientific field and an assessment of the relevance of that knowledge to societal and economic welfare. Such accreditation should encourage student enrolment in well performing institutions. In turn, public resources should be provided to institutions in accordance with their effectiveness in providing a solid academic curriculum.
35. Networks of quality assurance agencies could offer valuable assistance to higher education institutions as well. Such networks can serve to support and guide institutions to identify key research projects and develop new models of quality assurance. The emergence of networks of quality assurance agencies, within the USA and EU and also worldwide, is welcomed by BIAC in the perspective of the globalisation of the labour market for workers with higher education, and by consequence the need for a more international view on quality. This is an ongoing trend that should be continuously supported by governments mobilising higher levels of resources to tertiary education institutions that effectively promote and achieve high quality learning through their research work.
36. In the international context BIAC encourages intensifying cooperation among quality assurance and accreditation agencies, and as such BIAC welcomes the OECD UNESCO Guidelines for Quality provision in Cross-border Higher Education as an important instrument that will support sustainable development of the cross border provision of quality education services.

Higher Education's Contribution to Research and Innovation in a Global Knowledge Economy

37. We note that cooperation between business and higher education institutions is crucial to attain quality in innovation and research. This cooperation does not imply that institutions should lose their academic freedom. Rather, it implies greater accountability to create an effective network where education systems are reshaped in a better way. Autonomous institutions will use their freedom to take decisions taking into consideration promising scientific perspectives and business needs.
38. Higher education institutions are a key contributor to innovation and source of research and development. The expansion and diversification of higher education is changing the way it contributes to innovation and research. Higher education efficiency is built upon its capacity to provide human capital as a key contributor to innovation and research in a competitive global economy.
39. Higher education institutions should not only accumulate and transmit knowledge but become active players in creating, locating, and analyzing knowledge. Incentives for training should be also encouraged to ensure that research is relevant and applicable. Through this, opportunities for students to work in firms will expand contributing to stimulate full employment and economic growth.

40. Innovation has a positive multiplier effect on research, industrial product development, and economic markets. Increased relations between higher education institutions, government, and industry are needed to promote and contribute to the innovation process through basic research, development activities, engineering tasks, and market commercialization.
41. The distinction between fundamental/basic and functional/applied research approaches has diminished. Research is a crucial element for governments, for institutions and for business. Combined research raises new questions about how higher education should be directed in terms of boundaries of disciplines, multi-disciplinary interfaces, public-private partnerships and the organisation and structure of the tertiary education institutions.
42. Education should be oriented towards solving practical questions and problems in the handling of new technologies. New technologies are the drivers of the knowledge economy. They reshape higher education systems providing new learning opportunities to students. Students must be taught to use new technologies in an effective manner.
43. Utilising new technologies to integrate e-learning into higher education systems will improve and widen access to high quality knowledge not only for teachers but also for learners.
44. Higher education institutions cannot achieve these objectives alone. New types of partnerships that include business, policy makers and non-profit organisations are needed. BIAC urges all parties address the expectations for higher education in a fast-changing knowledge economy also taking into account the importance of broad liberal education, the importance of innovation and research, and the significance of providing effective lifelong learning programs. These partnerships must respond adequately to student's needs, and must adapt higher education systems to the skills demanded by a knowledge-based society.
45. We note that many companies are deeply involved with higher education, and engage in collaborative activities and networks that go even beyond research and development, Intellectual property and technology transfer. Indeed, through such collaboration, higher education is seen as an engine for economic development and important source of competitive advantage.

IV. CONCLUSION

46. Addressing higher education within the framework of quality, equity and efficiency implies the encouragement of good practices that stimulate innovation and research, improved management of higher education systems, and the active input of government, community, and stakeholders into systems of higher education.
47. Business remains focused on suggesting policies that correspond to labour market needs taking into account the dynamics of changing demographics and the emergence of a knowledge society.
48. BIAC looks forward to continued dialogue with OECD toward these goals.