



The Economic Situation – Implications for Higher Education

Report from the OECD Programme on Institutional Management in Higher Education (IMHE) international conference:

Higher Education at a Time of Crisis: Challenges and Opportunities, hosted by the Copenhagen Business School on 29-30 June



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The global economic downturn is placing governments under severe monetary pressure. Therefore, the public funding of education is set to be reduced as governments necessarily have to consolidate their budget deficits.



The debate in the plenary-session was initiated by **Sveinbjorn Blondal**, Head of the Economic Department, OECD. He showed a projection of how the budget deficits are set to explode during the crisis, which calls for a significant overhaul of the government accounts after the economy has reached the recovery stage, because double-digit deficits are unsustainable in the long run. Blondal expressed great fear that a reduction in public spending on education could lead to a deterioration of long term economic performance. Hence, he projected several ways to increase the efficacy of educational services by: introducing institutional economics of scale; paying more attention to distance education; increasing tuition-fees and income-contingent student loans.

After the brief introduction of the key aspects and challenges a panel of distinguished actors debated the crisis and the consequential prospects for higher educations. The panel consisted of:

- Marijk Van der Wende, Chair of the IMHE Governing Board and Professor and Dean, VU University Amsterdam, Netherlands

- Jamil Salmi, Tertiary Education Coordinator, World Bank, USA
- Steve Egan, deputy chief executive, HEFCE, UK
- Christoffer Taxell, Chairman of the Board of Finnair and of European Services Forum ESF, Chancellor of the Åbo Akademi University, Finland

The panel identified various key trajectories and issues regarding the higher educational system in and after the economic malaise. One of the most profound consequences of the meltdown in the financial sector can be seen in unemployment statistics.



Marijk Van der Wende explained that the insecurity in the job markets makes students study longer and combined with fewer available educational funds per capita spending will be dramatically reduced.

According to the panel the responses and consequences will be multifarious. The debaters agreed that some substantial changes would take place, because institutions have to cut expenditures in the short term, and seek new sources of finance.



Steve Egan mentioned that it is crucial that universities define their key competences and focus on those competences. It is time to make strategic choices. By the same token, the most important contribution from Higher Educational institutions is to raise critical questions and issues, and that ability should be preserved.

Moreover, the panel agreed that investment in education is among the most profitable investments for governments.



According to **Christoffer Taxell** Higher Educational institutions are very conservative in their nature, and some change in the structure and in the teaching methods might be beneficial.

The audience also actively participated in the discussion. Especially the topic about more regulation and the consequential loss of institutional autonomy seemed to be on many participants' minds. The debaters were in agreement that close scrutiny and supervision would follow in the wake of the financial collapse and the resulting budget-complications. An additional issue related to the autonomy question is how to measure performance of such a complex issue as education, and as Egan emphasised, education can have wider benefits that are not always included in governments' calculations. Another main subject was the prospect of potential bankruptcies in the education sector. Egan pointed out that close-

downs of some institutions is a possibility but that it is accompanied with huge political deliberations.



Jamil Salmi compared the situation with the liquidation of General Motors in the respect that educational institutions should be closed down if inefficient. Salmi also stressed that the ranking of universities has increased the number of parameters, and forced universities to focus on wider aspects such as CSR and environmental issues.

The debate highlighted that the explosion of governments' deficits have to be corrected sooner or later, and when this happens, it will put pressure on educational funding, enhancing the need for reform of the educational system and how learning is financed.

Discussions showed that changes will occur, and that a strategic redesign might be necessary to preserve key competences in the educational centres. But at the same time the panel was unanimous in their belief in the benefits of education.

As Christoffer Taxell stated: **“Education is the best way to change the world”**