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In search of identity:
Dilemmas in European higher education

Presidential Address

José-Ginés Mora

President of EAIR, The European Higher Education Society

Centre for the Study of Higher Education Management, CEGES

Valencia University of Technology
1. Foreword

I have chosen for this presentation the same title of the forum just adding the word “European”. I did it for several reasons. First, and obviously, for keeping the presentation in the same track of the forum. Second, because as president of EAIR it seems reasonable to focus on the European arena. But, third, and probably the most important reason, because I believe that what is happening in Europe in the last years is one of the most interesting processes of reform in the long history of higher education and, as a social phenomenon, with its successes and its pitfalls, deserves a deep reflection and analysis by those who are interested in higher education. We cannot deny that we are living interesting times as my predecessor in the presidency, distinguished scholar Prof. Guy Neave (2006) stated:

“No one who is a student of higher education policy will bother to disagree – let alone deny – that we live in rousing times. Nor that the universities in Europe face what is very certainly the most complex and geographically speaking most ambitious series of reforms in their long history of nigh on nine centuries”

Yet, Guy Neave, reflecting on the European developments on higher education, three years ago delivered his presidential address with the title: Euro-philias, Euro-Sceptics and Euro-phobics: Higher Education Policy, Values and Institutional Research (Neave, 2005). Before starting my presentation I have to declare my personal position in regard to the adjectives mentioned by Neave: I am none of them. I would call myself as a Euro-realistic or Euro-pragmatic. In fact, I do not believe in any kind of myths, political, religious and mainly, I do not believe in academic myths. What we call “academic values” are, in many cases myths which are neither universal nor eternal. Nevertheless, I do believe in two academic values. First, everything could and should be questioned in academic life, including obviously our most beloved traditions. Second, I believe that the objective of higher education is only one: to serve society, both our present society and the future one. For serving present society we should be pragmatic and realistic, but for serving the future society we should be innovative and to some extent unrealistic. We need to balance short and long term perspectives for both being useful in the present times and for avoiding mistakes that could jeopardise the future.

As part of this realistic approach, I think that the higher education reform process we are facing in Europe in just unavoidable. It is part of a global process of reform necessary for adapting universities to a new society. What we are doing in Europe, probably with some mistakes, will be successful in the long run because processes of intellectual reflection are always successful, even when they move in a direction not foreseen by the initial promoters. But, in any case the most important objective now is to be active actors of this challenging process of reform.
To avoid some misunderstanding, especially in the second part, I would like to remark another fact which is relevant for a broad European analysis of higher education and I think it is not enough obvious for everybody. A high proportion of European higher education annalists have a British-Dutch-Nordic origin (the EAIR membership evidences this reality). This evident fact frequently provokes a bias: statements made for some countries could be taken by granted for the rest of Europe. For instance, it is frequently stated that public funding is decreasing, autonomy is endangered or there is a process of diversification of resources. Nevertheless, a recent report made in 32 European countries (EU members and affiliated) based on detailed surveys in each country concludes that: “there has not been a general reduction in the level of public funding”, “higher education institutions as actors have gained in importance in the steering of the system” and “in Continental Europe we observe a tendency to enhance institutional autonomy” (CHEPS et al., 2007). On the other hand, the EU-RA (2004) report states: “In general, for the old EU Member States as a whole, there is no overall discernable trend towards diversification of sources of funding except for a few countries such as the UK”.

After this long foreword, I would like to make a contribution to the debate in regard to some aspects that are central for the success of the reform process and, in addition, are more familiar to me: the economic rationale of higher education and, consequently, the economic rationale of the reform process. First, I will discuss the economic necessity of the reform process; and second, I will focus on four aspects which are, at the same time goals and tools for a successful reform: equity, effectiveness, efficiency and sufficiency. The four are inter-related and the four together require a proper solution. I call them the socioeconomic tetra-lemma of European higher education.

2. In search of a new identity?

It is frequent to state that universities are increasingly under economic and political pressures. This fact cannot be denied, but this is not new in the history of universities. Universities always were under the influence of external powers and served social and economic interest. Castilians established universities in the American continent in the early 16th century. Were these foundations consequence of the interest of bringing the European culture or the intellectual life of Salamanca to the American continent? I am afraid that it is more plausible to think that the main reasons were political and economic: they needed a considerable amount of lawyers, civil servants and priests for ruling an empire too big compared with the small population of Castile.

The political and economic influence on university life is more evident at the beginning of the 19th century. The “first university revolution” was a consequence of two important facts that were shaping the whole European society:

- First, national-liberal States flourished around Europe and its former colonies. This represented a substantial change in the organisation of the State with new styles for
managing both the internal organisation of the State and the relationships with the emerging industry and economy in general.

- Second, the Industrial Revolution, which started at the end of the 18th century and spread out at the beginning of the next century, brought economic development and new requirements for trained people.

New organisational models for serving the new State and the Industrial Revolution were behind the deep transformation of universities at the beginning of the 19th century. As it is well known, this “university revolution” gave birth to three different university cultures, with different educational models and organisational structures, which have survived until today: the Humboldtian, the Napoleonic, and the British model. In few years, all countries adopted one of these models and in some cases a mix of them. They were three different solutions to a similar problem: to respond effectively to the new socio-economic needs. To a great extent the three models were successful and they served relatively well their societies for many years. Differences in the more or less positive development of universities along the last two centuries in different countries are a consequence of the economic and social developments of these countries but not a consequence of the university model adopted. Not only a profound renovation took place in European universities but also new universities were created, being the case of the civic universities in England another good example of how economic reasons were behind the university development.

Another remarkable fact is that the “first university revolution” started with a certain delay in regard to the real socioeconomic changes, and institutional changes were actually driven by forces outside institutions. We cannot forget that the 18th century (precisely, the century of the Enlightenment) could be considered as a dark age for universities, most of them embedded in the spirit of the Ancient Regime (Perkin, 2006).

Two hundred years after the “first university revolution”, universities all around the world (in this case, not just European universities) are facing a new situation provoked by a profound change in the political, social and economic context. The context is changing due to several factors, all of them with strong economic and social consequences (Mora, 2001; Cerych, 2002; EC, 2003; Kweik, 2004; EU-AR, 2004; Altbach, 2007; Teichler, 2007):

- **The global society.** The influence of globalization on higher education is evident in many senses. I would like to point out the relevance for the labour market. The labour market of university graduates is becoming global in a double sense: not only graduates work with increasing frequency in other countries, but they work in multinational companies whose methods of work, organization and activities have a global character. The globalization of labour markets, and therefore of required competences for jobs, affect the operational way of university institutions that need to give answer to
educational necessities which are no longer the specific ones of immediate surroundings.

- **The knowledge society.** The economic value of education, and specifically of higher education, has been in latency from 19th century when universities were re-organised to give answer to the new demands of the industrial era. Nevertheless, it was during the last part of 20th century when the economic value of education was universally recognized. Experts perceived that technological development was only possible with highly qualified human resources. In the knowledge society that is coming, knowledge and technology are the key elements for the economic and social development. In this society, higher education acquires new relevance as the engine of the knowledge economy because universities are the main sources of knowledge generation (a great part of the research is carried out in universities) and the main “distribution centres” of knowledge, science and technology. Teaching and learning, technology transfer, research and innovation are, more than ever, engines of economic development.

- **The universal university.** Ulrich Teichler titled his EAIR presidential address in 2000 “Mass higher education and the need of new responses” (Teichler, 2001). It was an extremely adequate theme because the growth of higher education is also a key issue for understanding the need of reforms. Nevertheless, just few years later it is probably more accurate to use the term “universal higher education”. Universities are becoming universal in access in all developed countries, but also in many other developing countries. But universities are becoming universal in other two senses. First, higher education has extended not only geographically everywhere, but the increasing development of virtual education allows access to higher education from any place and from any personal situation. Second, higher education also is becoming universal in a temporary sense. Whereas traditionally higher education has been organised almost exclusively for young people after finalizing secondary studies, nowadays the increasing tendency is towards lifelong learning, to cover both the demands of continuing education from professionals and the cultural demand of adult population.

A university extended to a great part of the population, throughout all its life, and accessible in all places, is not equal and cannot work as the old university. The universal university must consider new objectives and new ways of working that do not correspond with the university that has been working for many years.

The three elements (globalization, knowledge society and universality) which are transforming the university context have strong economic consequences for higher education institutions, for higher education systems and for society in general. Therefore, it is not strange at all that

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1 We found in a recent research based on CHEERS data (Schomburg and Teichler, 2006) that required competences by employers in different European countries were quite similar, but acquired competences of graduates were more country-specific. That is, European employers are living in a globalised world but European universities are still rather country specific (Mora et al., 2006).
supranational institutions, national governments and other stakeholders are remarking the economic relevance of reforming higher education, and consequently they try to push the reforms in this sense. If the “first university revolution” had an economic explanation, there are more economic reasons supporting the “second university revolution”. In principle, this is not negative for universities. On the contrary, adapting universities to support the wellbeing of people is an essential part of their mission.

The challenge is to make a successful adaptation valid also for next generations. Some academics are reluctant to accept changes that they perceive as dangerous for the academic values (Nybom, 2005; Neave, 2006) ². It is true that reforms always imply risks, but I do not share these fears. On the contrary, I think that the future of our society and the future of universities themselves depend on the capacity of our universities to adapt properly to the new context. As I said before, to be active actors of this reform process and pushing on the right direction is now the most important duty for all of us. Ronald Barnett, who received the first EAIR Award three years ago, stated in one of his books (Barnett, 2000):

*The Western university is at an end. But a new university can arise. We have to put aside some familiar and even much-cherished notions of the university so that we can move on and develop a new idea of the university.*

I believe that we are fortunate in having the opportunity of living this climate of effervescence in university life. I hope this effervescence eventually will produce the “second university revolution” and not just a “Lampedusian style” change. Fortunately, that seems to be the case in most European countries where winds of reform are strong as it has been perceived in a recent study (CHEPS et al., 2007):

*However, an interesting observation coming to the fore in all our data is an increasing interest in reform per se. Hence, quite recent reforms seem to be followed by new reforms expanding or relating to past reforms. The result is that one can observe a broadening of the scope of reform, but also a speeding up of the reform tempo in most countries.*

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² Nevertheless, the level of acceptance of reforms by academics is relatively high. Around one third of academics agree with the main issues of the reform process in European universities. In a recent survey carried out to academics in EU countries (Gallup, 2007) the percentage of agreement with the following statements were:

1. Study and training programmes should encompass more generic competences 76%
2. Study programmes need to adapt more to labour market needs 70%
3. Partnerships with business will reinforce universities 73%
4. Universities are in need of better internal management 80%
5. More private funding would help universities to gain extra income and perform better 73%
6. Student fees are acceptable as a source of extra income for universities 68%

³ Giuseppe Tomasi, Prince of Lampedusa, Italian writer who in his novel “Il gattopardo” wrote: “Se vogliamo che tutto rimanga come è, bisogna che tutto cambi” (“If we want things to stay as they are, things will have to change.”).
3. Four dilemmas (or a tetra-lemma) in European higher education

Following the economic approach taken in this presentation I will focus on four aspects that are extremely relevant if we want to have a successful reform. They are: equity, effectiveness, efficiency and sufficiency. The four together constitute a tetra-lemma in the sense that they are not independent and apparently even contradictory. For instance, for many years, discussions on economic and social policies noted the apparent trade-off between efficiency and equity. However, nowadays a wider and longer term perspective is leading to a consensus that efficiency and equity objectives can, in fact, be mutually reinforcing because of the positive effect of investing in social policies on wider economic, social and financial outcomes (EC, 2006c).

We will discuss these four aspects and we will try to show that an answer to the tetra-lemma is possible: it is feasible to simultaneously improve the four elements.

Previously we would need to make some previous definitions. Equity could be understood in terms of equality of opportunity in obtaining the benefits of the educational system. Equity has three dimensions: equity in access (the same opportunities for all to access to quality education), in treatment (quality educational provision suited to individuals’ needs once in the system), and in outcomes (the knowledge, competences and skills learnt, qualifications achieved within an educational system and labour market opportunities) (EC, 2006c). But there is another additional conception of equity: the equality in assuming the costs of education (those who benefit more have to pay more).

Educational efficiency is a measure of how resources or inputs allocated to the educational system are converted into outputs for individuals and society. Efficiency, related to the best use of resources, is strongly related to the governance models in the case of higher education.

Effectiveness (or internal efficiency) relates to outcomes inside the education system. To what extent the educational, social and economic objectives of higher education are achieved would be the measures of effectiveness.

Economist use to include another element in the economic analysis of a system: sufficiency. A basic and obvious element: the financial capacity for working and for reaching the established goals.
3.1. Equity: a reachable goal?

3.1.1. Equity and educational policies

Inequity is considered unacceptable in modern democratic societies. This is, with no doubt, one of the main values of European societies. But, apart of ethical issues, inequalities have an extremely high financial and social cost. Disparities are detrimental for democracy and social cohesion. But the role of education is paradoxical. Research shows that, despite the general presumption that education systems offer opportunities to reduce social inequalities and exclusion, the opposite is often the reality. Moreover, education policy initiatives alone have only limited success in removing inequalities and barriers to inclusion (EC, 2006b). Combined social and educational strategies that tackle poverty, inequalities and related aspects of disadvantage at their roots are likely to be much more successful than purely educational interventions.

3.1.2. Equity in European higher education?

Recent research shows that all European education systems, to a greater or lesser extent, have educational inequities. Inequities can be found at every level of education systems in terms of opportunities, access, treatment and outcomes (Niçaise, 2000).

In European countries, data show a high participation in higher education. It would seem reasonable to assume that with this high level of participation, the opportunities of access to higher education for people of lower socioeconomic levels have increased. Nevertheless, despite increased participation in education, inequalities in education are not decreasing in most countries, but continuing and assuming a new nature, which is qualitative and structural instead of quantitative (Koucký et al., 2007).

The lack of equity in outcomes is also evident. The shift in relative demand towards highly educated and skilled labour has major effects on the education structure of employment and educational wage differentials on the labour market. This shift has entailed an increase in overall inequality which has manifested itself mainly in a strong increase in relative unemployment of the low-skilled in Europe. This suggests that inequalities in access to higher education translate into inequalities in economic outcomes in an even stronger way (EENE, 2006). Moreover, students from higher socioeconomic background enrol in study programmes that drive to better professional careers (Mora, 2007) and students from middle-class background tend to get better jobs after graduation than their working-class counterparts (Brennan, 2002).
3.1.3. Which are the sources of higher education inequity?

Low family income and low parents’ education levels decrease the opportunity for children to enter higher education. Nevertheless, when we consider both types of factors, we find out that educational levels are dominant, while family income shows less influence in the decision to enter higher education. The father’s occupation appears to have the strongest influence. In some countries, children of fathers with the highest occupational status have four times more chances of achieving tertiary education as compared to children whose fathers have the lowest occupational status (Koucký et al., 2007).

The lower probability of entering university seems to be caused by a lack of early educational investments which deprive students from lower socioeconomic background of the basic prerequisites to advance to university. Compulsory education has to break the link between performance and children’s family background. Interventions should be made at early stages when children’s cognitive and non-cognitive abilities are being developed so as to improve their chances of being ready to take advantage of post-compulsory education. Financial interventions at higher education are unlikely to facilitate equity (EENE, 2006).

Another source of inequity in higher education is a consequence of early tracking at compulsory education. Recent researches show that early tracking increases inequity, without any obvious effect on efficiency. On the other hand, opening higher education to all students without sufficient screening mechanisms (either at entry or upper secondary level) is expensive and inefficient. Differentiation of students into particular academic tracks creates wastage if undertaken too early or too late. The most appropriate time to differentiate is at upper secondary level (EC, 2006c).

3.1.4. Is free higher education a way of increasing equity?

The most generalised assumption in Europe is that a “free” or “low cost” system of higher education will allow people from lower socioeconomic background more access to higher education. Nevertheless, facts do not support this assumption since the main determining factor in higher education participation is still parents’ socioeconomic background.

It is true that higher education produces many social benefits, but it is also true that it produces to great extent private benefits for those who had the opportunity of accessing higher education. There is evidence that significant private returns on higher education and tax systems do not compensate this advantage for those accessing higher education (CEGES, 2007).

While all tax-paying households contribute to the public financing of European higher education though the tax systems, in terms of access there is self-selection in higher education. As a consequence, unless there is very strong tax progression, full public funding of higher education may increase inequality since part of the funding may come from groups with little opportunities
to access higher education. In general, such low cost systems are regressive because they benefit mostly middle and high income families and reduce the progressive nature of the overall tax-transfer system.

Moreover, higher education enrolment has been stronger and grown faster in other parts of the world than in Europe mainly thanks to more funding from private sources. With an average gross enrolment ratio of 52%, the EU is slightly ahead of Japan (49%) but lags behind Canada (59%) and far behind the US (81%) and South Korea (82%) (EC, 2005).

The conclusion is that free higher education does not improve equity. On the contrary, a reasonable increase of the financial contribution of users will make the system more balanced from the point of view of equity. It is obvious that introducing tuition fees without proper care for equity goals will aggravate the problem of unequal access to higher education. A strong student's aid system is obviously necessary. Experts have shown that the most efficient and equitable solution is a system of income-contingent loans, which allow students to cover the fees and cost of living (EENE, 2006).

3.2. Efficiency: are European universities making the best use of resources?

In terms of efficiency, in many European countries there is a feeling that current systems of higher education are not organized in an efficient way. Many experts allege that current systems of higher education, which are traditionally run under a high level of state regulation and employee management, exhibit a high degree of inefficiency (EENE, 2006). On the other hand, universities feel that their national regulations do not currently allow them to undertake the changes necessary for their future and they claim for more autonomy that allows them to respond to society’s changing needs and to take full account for those responses.

Dropout, survival rates or duration of studies can be useful indicators of internal efficiency of higher education systems. Students may have different reasons for leaving studies but to some extent, a high level of dropout could be considered as an indicator that higher education institutions are not meeting the real demand of students or that lack of attractiveness. In this sense, the indicators are not brilliant for European universities where around one third of students do not finish their studies (OECD, 2006).

Experts mention three factors as causes of the low efficiency in European universities: overregulation, lack of market mechanisms and poor governance models.

3.2.1. Overregulation.

Detailed regulations are still important in many European countries. A recent study (CHEPS et al., 2007) states:
• National authorities still have a strong interest in determining the missions of institutions in many countries.

• In most countries, national legislation determines the internal governance and management structures.

• In some countries, authorities have considerable influence in the definition of study programmes.

• National authorities are still very influential in many countries on human resource management.

• Rather centralised national procedures and regulations in setting criteria for access and in selecting students are evident in a substantial number of countries.

The excessive state regulation is considered a problem for efficiency (EC, 2005):

*The over-regulation of university life hinders modernisation and efficiency. Nationally defined courses and employment rules for academic staff tend to inhibit curricular reform and interdisciplinarity. Inflexible admission and recognition rules impede lifelong learning and mobility. Unattractive conditions encourage young talent to seek elsewhere for quicker access to independence and more rewarding salaries. Minute ex ante control hinders universities’ capacity to react swiftly to changes in their environment. Where change is always a matter for legislation, reforms are bound to be few, disruptive and uniform.*

3.2.2. Lack of market mechanisms

Market-style (or quasi-market) reforms would organize higher education in a more competitive framework and would give the actors incentives to improve the quality of education and research, to improve academic productivity, to encourage innovation in syllabi and, in general, to improve the services that universities offers society. Increased market orientation for universities is a way of increasing institutional responsiveness to social demands. Market reforms could include (EENE, 2006):

a) Competition, which would provide market discipline to the behaviour of providers. Creating an international market for higher education with mobility of students can help to enact functioning competition in higher education.

b) Tuition fees from students could increase the incentives for students to study more efficiently. If the beneficiaries of higher education had to make a greater private contribution to the costs, this could not only raise the efficiency of the use of their own

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4 Quasi-market mechanisms: Market mechanism applied to services provided by public systems.
time, but it could also create incentives for providers of higher education to use their resources more efficiently.

c) Developing a system of incentives, basically through the public funding of universities, to support efficiency. Public funds must be granted to higher education institutions in such a way that effectiveness, efficiency and quality are promoted. Some tools that have been experimented successfully are the following:

- **Outcomes base funding.** In many countries public funds are delivered to institutions as a lump sum based on a set of variables related to costs but also to basic outcomes. These experiences have shown a positive effect on institutions and on their results.

- **Performance funding.** In some countries a portion of the funds granted to higher education institutions are linked to the achievement of certain standards which were previously agreed between public authorities and institutions.

- **Competitive and targeted funds.** Generally speaking, research is financed under criteria of competition among institution, departments, research groups or individuals. Financing targeted teaching activities or setting up programmes for financing educational activities in a competitive way among institutions has been successfully explored.

In this sense, EC (2006a) made recommendation about implementing these funding reforms:

*Universities should be funded more for what they do than for what they are, by focusing funding on relevant outputs rather than on inputs, and by adapting funding to the diversity of institutional profiles. Each country should therefore strike the right balance between core, competitive and outcome-based funding for higher education and university-based research. Competitive funding should be based on institutional evaluation systems and on diversified performance indicators with clearly defined targets and indicators supported by international benchmarking for both inputs and economic and societal outputs.*

### 3.2.3. Poor institutional governance

Governance models in most European universities correspond to the needs of the old context. Far-reaching changes in the university context should lead to equally far-reaching changes in the way universities themselves are governed. In order to successfully play their role, it is generally agreed that universities require strong strategic and managerial reformulations. Modernisation of universities involves new approaches towards research, innovation and knowledge transfer, funding, quality assurance, curricular structures, and linkages within the institution, with other higher education institutions and with other social actors. University governance has become a critical variable. Modern universities require new models of governance that allow them to have a proactive role in the new context.
Research supports that only universities with full autonomy and with shared models of governance are able to have a proactive behaviour. On the contrary, lack of full autonomy and the predominance of collegial models of governance do not allow universities to develop entrepreneurial activities (Shattock, 2007).

In regard to governance EC (2006a) states:

*Empowering universities effectively to take and implement decisions by way of a leadership team with sufficient authority and management capacity, enough time in office and ample European/international experience. In return for being freed from dysfunctional over-regulation and micro-management, universities need to recognise the importance of accountability and more professional management. Managing a university is as complex and socially as important as managing an enterprise with thousands of staff and an annual turnover in the hundreds of millions of euros. Member States should build up and reward management and leadership capacities within universities.*

### 3.2.4. Current tendencies

To some extent these changes are being implemented in many European countries. A recent study on tendencies in Europe affirms (CHEPS *et al.*, 2007):

- Responsibilities that were formerly those of the state have thus not only been transferred to higher education institutions but also to other organizations.
- New actors at the national level and regional level are entering the higher education scene, especially given their interest in the emerging knowledge society and technology transfer.
- New regimes of governance emerge: we now see a more multi-actor, multilevel governance framework emerging in a number of countries.
- There is an increased emphasis on competition as a means to enhance the efficiency and the quality of the sector.
- There is a noticeable interest in reforming higher education funding systems.
- The increasing interest in and development of new organisational structures and new policy initiatives related to quality assurance over the past decade.
- Governmental efforts to change institutional governance structures. These reforms are in general in line with attempts to strengthen the strategic capabilities of higher education institutions.
3.3. Effectiveness: are European universities serving social demands?

Knowledge is the key for future and sustainable economic competitiveness. To benefit in the long-term from the new division of labour created by globalisation, European countries need to develop stronger comparative advantages in innovative goods and services. Creating and implementing innovation requires above all a highly trained workforce.

The labour market of the knowledge society is different from the one of the industrial era. The professions are no longer, except few exceptions, defined so clearly. The fast obsolescence of knowledge and the necessity of adaptation to multidisciplinary and multicultural surroundings require changes in the traditional pedagogical models. It is necessary to create a learning environment around students which stimulate them to continue learning and to remain receptive to conceptual, scientific and technological changes which they will encounter during their active life. It is necessary to move towards a model based on a permanent attitude of learning. The new context of higher education demands to educate individuals in an ample set of competences that should include the skills more required on the job.

In the survey CHEERS (Schomberg and Teichler, 2006), European graduates were asked about the competences required in their jobs. The results show the relevance in the job of generic and cross-sectional competences such as the capacity to work independently, the solving problem capacity, oral communication, capacity to take responsibilities, to manage the time, to planning, to take initiatives, adaptability and loyalty. The deficits in competences are basically in skills and attitudes, whereas the graduates declare even an excess of competences in general and theoretical knowledge. Luckily, an important ability as is the learning capacity seems to be well assimilated by the graduates.

Another example of mismatch between supply and demand in European higher education is found in the Tuning survey (Tuning, 2006) where academics, employers and graduates were asked to rank the relevance of a list of competences. One of the most striking differences in the answers was the case of “basic general knowledge” that was ranked first by academics and twelfth by both graduates and employers.

The need of improving the employability of graduates or, in other words, the need of increasing the effectiveness of European higher education was pointed out by EC (2006a):

> It is true that university education pursue much broader ethical, cultural and social goals than “employability” alone. Nevertheless, universities should accept share with other stakeholders their responsibility for the integration of graduates in the labour market and in society. They should prepare in terms of specific skills and transversal competencies.

Another aspect that requires attention is the organizational model of the learning process. Higher education systems have been traditionally focused in taking care of young and relatively
brilliant students when they finalized their secondary studies. Nowadays, the knowledge society demands continuous education of all those that are immersed in the productive process, the education provided by universities no longer can be neither in exclusive right nor fundamentally focused to the formation of the academic oriented young people. To take this change ahead supposes allowing more flexible routes between different studies, the different programs and the university and the labour market. The diversification of educative programs is a necessity that must be considered within universities. Most universities tend to offer the same mono-disciplinary programmes and traditional methods geared towards the same group of academically best-qualified learners, which leads to the exclusion of those who do not conform to the standard model. Without recognition of the social, cultural and economic diversity of today’s world, Europe will not be able to achieve higher enrolments and create enough lifelong learning opportunities to increase radically the skills and competency levels in the workforce and open higher education to all social groups and to new types of learners (EC, 2005).

3.4. Sufficiency: are European universities adequately financed?

At present, most European universities are not competitive on a global scale with the institutions of other developed countries; neither in access for European students, attractiveness for third country students, nor in excellence of education and research. The necessary reforms cannot be accomplished within the current levels and patterns of investment. The funding gap between European universities and the universities of other key competitors should be bridged to overcome this. The total (public and private) spending on higher education in the EU 25 in 2002 was 1.3% of GDP, compared to 2.8% in the USA. As remarkable as the funding gap is the difference in the origin of the funding-sources between European and Non-European countries. Private resources are higher in Japan, Australia, Canada, US and Korea. (CEGES, 2007). At this moment, if both quality and equity are to be enhanced in European countries, and public expenditure can not be largely increased, only a better balance between public and private funding of higher education could be helpful.

In most European countries there is still room for public funding, but the main part of new contributions should come from students and enterprises. There are reasons which justify these contributions. There is general agreement that graduates not only have more employability and receive higher earnings as a consequence of higher education studies, but also acquire higher social status, greater efficiency in consumption, better health, greater access to technological change and a broad set of cultural benefits including better opportunities for leisure. Benefits from education are also gained by enterprises. General education reduces the need for training and retraining when new technologies are incorporated. The higher productivity of more educated people, especially those having the abilities and skills that transmit higher education, is spilled out to other workers having an important effect on the whole productivity of the
enterprise. A considerable part of the externalities that higher education graduates produce is captured not only by society in general (which justifies the public funding of higher education), but specifically by enterprises and graduates. On the other hand, enterprises are the primary and most direct beneficiaries of the scientific and technical advancement produced largely in universities. Consequently, the participation of enterprises in the funding of higher education institutions, through research contracts, provision of services and philanthropic funds, could be considered as a consistent restitution for the benefits that corporations receive from higher education.

EC (2006a) recommends “to reduce the funding gap and make funding work more effectively in education and research”. For reaching this goal, “the Commission proposes that the EU should also aim, within a decade, to devote at least 2% of GDP (including both public and private funding) to a modernised higher education sector. Member States should therefore critically examine their current mix of student fees and support schemes in the light of their actual efficiency and equity”.

4. Conclusion: An answer to the tetra-lemma

We are embarked in one of the most interesting processes of intellectual reflection about the future of universities. This process generates a considerable amount of problems which need a proper solution. To find a right solution to each problem is a challenge that we are not going to achieve in a short time. It will be a long process that will include undoubtedly some mistakes. The point is to take steps in the right direction and to minimise the number of mistakes as much as possible.

In this sense, economic factors are extremely relevant for conducting the process of reforms. Obviously, economic factors are not the only ones to be considered but, on the other hand, forgetting these factors would be a mistake that will bring the process (no doubts about that) to a failure.

In this paper we have brought some ideas on the economic analysis of the reform process. First, we have concluded that the process per se has strong economic motivations which are an essential part of it. From an economic point of view, responding to the new context (the global and knowledge society) is an imperative for universities.

Secondly, we have discussed four inter-related aspects of the European higher education situation: equity, efficiency, effectiveness and sufficiency. The main conclusions are:

1. **Equity.** Our first conclusion is that the capacity of education to improve equity is rather limited. Besides, equity in higher education is not increased through specific actions on higher education. Actions should be taken in compulsory education. Probably, in the specific area of higher education, the only possible action in favour of equity is to avoid
that any other action taken for improving efficiency or sufficiency could jeopardise equity. In this sense, it should be borne in mind that general subsidies to higher education simply widen the skill and income gap between the highest and lowest groups.

2. **Efficiency.** Experts have doubts about the efficiency of European universities. Three are the causes of low efficiency: overregulation, scarce incentives and poor governance. More autonomy, less direct State control, introduction of quasi market mechanisms (including an increase in prices for direct consumers) and improving the managerial capacity and leadership in universities will improve efficiency directly. Indirectly, these measures will improve effectiveness (a better and faster response to social needs) and sufficiency (more public resources as a consequence of an increased trust on universities and more private resources as a consequence of higher participation of students and enterprises). To avoid a decrease in equity, a strong policy of students aids (especially through income-contingent loans) should be implemented.

3. **Effectiveness.** The need of increasing the effectiveness of European higher education is a consequence of a more general need of adapting institutions to the new demand of the knowledge society. Deep and consistent curricula reforms (as they are being implemented in most countries), diversification and flexibility for responding to the different social demands are the keys for increasing effectiveness. Education policies should aim to improve the knowledge, skills and competences of society as a whole and of individuals, especially the most disadvantaged. They should increase efficiency by raising the average skill level in the population and reduce inequality by improving the life opportunities of those most in need and narrowing the gap between the best and worst qualified individuals. Diversification should improve equity (adapting education to different demands), efficiency (as a consequence of higher attractiveness) and sufficiency (increasing the public and private willingness to support higher education).

4. **Sufficiency.** Investing more and better in human capital is at the heart of the response to the new socio-economic demands. Still there is room for more public investment in higher education. Nevertheless, most of the new resources should be provided by private sources. There at least three reasons for that. First, it is highly unlikely that additional public funding can alone make up the growing shortfall of European higher education. Second, it would be fairer from a social point of view to have a higher private participation in higher education funding. Third, a higher private share will increase the effectiveness and efficiency of the whole higher education system. Increasing the investment in higher education will increase especially effectiveness, making European higher education more responsive to social demands and better adapted to the new economic needs.
Our main conclusion is that it seems feasible to resolve the tetra-lemma of European higher education adopting policies (at system and at institutional level) which expand, simultaneously, the four vertexes of the economic-tetragon of European higher education. Collaborating in achieving the right goals is a challenge for those people, as the EAIR members, engaged in research, practice and policy. I am sure that with the analytical contribution and the practical support of people like you the reform will be successful.

5. References


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