

EUROPEAN SYMPOSIUM

ON ECONOMICS OF EDUCATION

"Making Efficient Use of Investment
in Education and Training"

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Introductory Speech of

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DG EDUCATION & CULTURE



EUROPEAN SYMPOSIUM ON ECONOMICS OF EDUCATION

« MAKING EFFICIENT USE OF INVESTMENT IN EDUCATION AND TRAINING »

INTRODUCTORY SPEECH

AFTERNOON – 14:30

KLAUS VAN DER PAS

DIRECTOR GENERAL, DG EAC

INTRODUCTION

- In a relatively short space of time the pace of change in technologies, in industry, in the organisation of work, has outstripped the capacity of our education and training systems to equip people with the social and cognitive skills they need through the now increasingly blurred phases of life.
- These were some of the key concerns of the Heads of State and Government in Lisbon in March 2000, when they requested the modernisation of education and training systems, and confirmed lifelong learning as an element of the European social model.
- The Lisbon Strategy underlines that human resources are the EU's main asset, central to the creation and transmission of knowledge and a determining factor in each society's potential for innovation. Investment in human capital is therefore a key factor in the Union's competitiveness, sustainable growth, and employment and therefore a prerequisite for achieving the economic, social and environmental goals set in Lisbon.
- Human capital indeed intervenes at the same time at the level of the individual and of the society as a whole. At the individual level, there is a strong correlation between investment in human capital and the future employment prospects. At the overall level, the investments in education and training contribute to economic prosperity and to social well-being. This observation implies encouraging the development of human resources with the objective of defining their needs, of increasing their qualifications, of facilitating their growth and of improving their quality.

I - SEVERAL EUROPEAN INITIATIVES AIMING TO ENCOURAGE INVESTMENT IN EDUCATION AND TRAINING HAVE BEEN IMPLEMENTED SINCE 2000

- In 2000, the European Council of Lisbon set for the Union the goal to become between now and 2010, "*the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*". The process of Stockholm in 2001 formalised in its report the objectives for the systems of education and of training and in particular: "*improving their quality and effectiveness*".
- In order to give concrete expression to these objectives and to specify a strategy, the European Commission and Member States used the open method of coordination. It made it possible in particular to define and implement a work programme and to develop benchmarks and indicators able to evaluate the progress of the Member States in the achievement of the objectives.
- In view of the importance of this topic, the Commission made in January 2003 a Communication on the imperative to invest more and better in education and training. Its conclusions are fully relevant for today meeting.
- In its Communication on investment, the Commission already expressed its concerns regarding the chances of achieving the goal laid down by the European Council of Lisbon "*to increase in a substantial way investment in the human resources*". Indeed, public investment in education accounts for 5% of the GDP of the Union, with very strong variations from one Member State to another. This figure is comparable with that of the United States and higher than that of Japan.
- However, the Union suffers from under-investment of the private sector, in particular in higher education and in vocational training. For example, in the United States, the private effort in higher education is 8 times more important than in the Union.
- In spite of the increased pressure on the public resources resulting from a difficult economic situation, the arguments for a substantial increase in investment in human resources remain more valid than ever: the investments authorised today will be the source of the growth of tomorrow. Expenditure in education and training has indeed to be understood within the meaning of investment and not within the meaning of consumption.
- In their Joint Interim Report of 2004, the Commission and the Council show that the efforts made until today are not matching the challenge. At this rhythm, the commitment to increase investments in the human resources will not be met. In this case, one is likely not to be in a position to achieve the goals laid down jointly and to compromise the Lisbon strategy as a whole. This warning is now repeated in the Kok Report on the mid-term review of the Lisbon Strategy.

II - THE UNION MUST AT THE SAME TIME INVEST MORE AND BETTER IN HUMAN CAPITAL

- The development of the demographic, economic and social structure of the Union requires the strengthening of the objectives aiming to increase effectiveness and the efficiency of investments in our systems of education and training.
- The effectiveness of the investments that are both public and private has to be based on the better coordination of the education, training, research and job policies. The increase in the resources has to result from a combination of well-targeted public investment and higher private contribution. The effectiveness and the efficiency of the investments in education and training have to be guaranteed in agreement with the objective on the best use of the resources.
- The targeted increase in public investments can be done within the framework of the overall budgetary constraints, if necessary by re-allocating towards education, funds from other fields that currently have a lower return, of course according to the situation in each country and to the national political choices.
- The Union has already implemented several initiatives in the field of investment in human capital in the form of mechanisms for the financing of lifelong learning. Indeed, the usual obstacle to the development of human capital lies in the difficulties of financing.
- In order to solve them, it is advisable to share the responsibilities between the public and private sectors. The role of the public sector being in particular essential for the acquisition of the key competences within the framework of compulsory education. The private sector having for its part more to contribute to the financing of higher education and vocational training.
- But it is not enough to invest more; we also and most especially need to invest better. In view of the limited room for manoeuvre with regard to the increase in investment in human resources, priority must be to use the existing resources in a more efficient way. It goes without saying that the situation varies widely from one country to another and that there is no general rule which applies to all. What is essential is that each country identifies its inefficiency areas and that it confronts them.
- In its Communication on investment, the Commission identified a number of signs of non efficient use of resources: a high rate of school failure where 20% of young people leave the school system without qualifications and are found marginalised; similarly, 20% of the adults have such a low qualification level that they are threatened to be constantly excluded from the labour market.
- Several conditions should be assembled in order to guarantee the success of new initiatives. 1) New initiatives have to generate a positive return on investment at the levels of the individual, of the firms, of the economy and of the society as a whole. 2) Mechanisms of validation of the formal and informal learning and of insurance and of quality control must be set up in order to promote confidence and to encourage the individuals and the companies to invest more and more effectively in education and training. 3) Culture of apprenticeship also must be developed from flexible training schemes and adapted to the needs of the learner.

- The Union already gives its political support within the framework of the political cooperation process on the objectives of the systems of education and training; in particular through the mobilisation of the various financial instruments and Community programmes.
- The Structural Funds through the European Social Fund will spend between 2000 and 2006 approximately 10 billion euros for education and training throughout life; the European Investment Bank has also invested since 1997 more than 10 billion euros in this field; the Community education and training programmes through their aims of mobility and of cooperation at European level contribute also to strengthening human capital. Indeed, in its new integrated program for lifelong learning, the Commission proposed a budget of more than 13 billion euros for the period 2007-2013 to finance its mobility and cooperation programs.

III – THE FINDINGS OF WORKING GROUP E CONTRIBUTE TO THE OBJECTIVE OF MORE AND BETTER INVESTMENT

- Working Group E, responsible for Objective 1.5 “Making Best Use of Resources” has recently produced a framework of policy proposals. This framework combines concrete and detailed proposals to improve education and training policies. It builds on the independent evaluation of education policies and on the discussions that occurred in the Working Group. It suggests possible approaches for the institutional reforms and incentive mechanisms necessary to increase efficiency and investment in our education and training systems.
- This framework will be presented at the Symposium in two parts. The first part deals with institutional reforms to increase investment and improve governance in education and training. It will be presented today for the introduction of the first debate. The second part concerns incentives changes to improve quality and enhance attractiveness in educational institutions. It will be presented tomorrow for the introduction of the second debate.
- Within the framework of the Working Group, we have thus started to answer these questions. But we want to encourage even more the mobilisation of the scientific community in order to enrich our proposals, to extend further our reflection and to draw up precise proposals to reach the objectives of 2010.

IV –THE SCIENTIFIC COMMUNITY ALSO HAS A ROLE TO PLAY

- The achievement of our objectives requires re-examining the national policies in order to put education and training back in the centre of the development of our societies. This implies to strengthen the consistency and the complementarities of the educational policies with the outcomes of research in this field.
- We already have the framework to work together: the work programme on the objectives. It constitutes a flexible framework which can incorporate new elements like the scientific community's views on human capital.
- In order to guide our political action and to make it more visible, we need to have reliable elements of analysis which show the contribution of education and training to the economic and social objectives of the Union. It is the objective of the project "Economics of Education".
- Indeed, in order to deepen the discussions that started in the Education Councils of Athens and Milan on the use of economic analysis to draw policy recommendations in the field of education and training, the Commission has established an Expert Network in Economics of Education.
- The aim of the network is to contribute to the improvement of decision-making and policy development in education and training in Europe by advising and supporting the Commission in the analysis of economic aspects of educational policies and reforms at national and European levels.
- The network of experts emerged in December 2003. It has since then created a website meant as a forum to promote and disseminate research on the economics of education in Europe. The network has also provided a detailed mapping of the major research centres and experts in the economics of education in Europe and beyond. This led to the construction of two searchable databases identifying education experts on a worldwide basis.
- The Expert Network was also asked to organize on behalf of the Commission a Symposium on Economics of Education. With this first Symposium on «Making efficient use of investment in education and training», the Commission aims to provide a forum for recent economic research in this area and to draw out key lessons for the development of human capital policies.
- This symposium gives us therefore the opportunity to gather the members of the network and the policy makers involved in the reforms of our systems of education and training. It aims at presenting to policy makers the latest scientific results and their policy implications. It also provides a forum for discussion of relevant policy reforms and research projects aiming at improving the use of resources at the European level.

CONCLUSION

- To launch as from today this dialogue with the scientific community, two main questions have been addressed to the contributors to the Symposium. In the first session, the objective is to provide an evaluation of investment in education and training and specific approaches to improve the allocation of resources.
- The purpose of the second session is to present incentives mechanisms and accountability systems capable of ensuring a more efficient structure of education and training systems. Each session will combine presentations from experts with debates on policy issues.
- The expected outcomes of the Symposium are thus threefold: a closer relationship between research and policy; the presentation of policy recommendations for educative reforms; the identification of new areas for future research.