

**EFEE Position Paper****“The economic case for education and training in the Europe2020 context”**

*Adopted by EFEE members on 19 May 2015*

With this Position Paper, the European Federation of Education Employers (EFEE) aims to contribute to the current debate on the economic case for education, and shed some light on this issue from an education employers' point of view.

EFEE has already provided input to the Education Committee of the Council on this topic in the context of the mid-term review of the Europe2020 strategy.<sup>1</sup>

EFEE welcomes therefore the outcomes of the Education, Youth, Culture and Sport Council meeting of 12 December 2014 in which Ministers of Education underlined that education plays a crucial role in the success of the Europe2020 strategy, since high-quality education and the development of skills and competences are prerequisites for the growth, innovation, competitiveness and jobs that Europe urgently needs.

In view of the on-going developments of the European Fund for Strategic Investment (EFSI or Investment Package),<sup>2</sup> initiated by the Juncker Commission, EFEE would like to highlight further the important contribution that Education, Training and Research can make to combat unemployment in Europe and to improve the employability of students, employees and adult learners.

**The economic perspective**

But what do we mean exactly when we discuss “the economic case for education”, as it is clear that more and more emphasis is being placed on the economic perspective in Europe's aspiration for a knowledge-based economy?

The European Expert Network on Economics in Education provides theoretical and empirical evidences for the crucial role of education for individual and societal prosperity.<sup>3</sup> Education is a leading determinant of economic growth, employment, and earnings. Education is an investment into the knowledge and skills of people. It equips people with the skills that make them more productive in performing their work tasks and it conveys the knowledge and competencies that enable people to generate and adopt the new ideas that spur innovation and technological progress.

At the macroeconomic level, education can spur long-run economic growth by increasing aggregate productivity through accumulated human capital and by helping to generate and diffuse innovations, which bring technological progress. Beyond the economic benefits in the narrow sense, education also offers non-production benefits such as increased work satisfaction, improved health decisions, reduced crime and improved citizenship.<sup>4</sup>

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<sup>1</sup>Discussions in the Education Committee November 2014, to which EFEE was invited to contribute as a recognised European social partner, in order to prepare for the Education, Youth, Culture and Sport Council meeting of 12 December 2014.

<sup>2</sup> [http://ec.europa.eu/priorities/jobs-growth-investment/plan/index\\_en.htm](http://ec.europa.eu/priorities/jobs-growth-investment/plan/index_en.htm)

<sup>3</sup> <http://www.eenee.de/eeneeHome/EENEE/Mandate.html>

<sup>4</sup> Ludger Woessmann, ‘The economic case for education’, EENEE Analytical report Dec 2014, pp. 2-4.

Greater educational achievement benefits both individuals and society, also underlined by the OECD in Education at a Glance 2014. For individuals, having a higher education attainment improves their chances for employment, reduces the risk of unemployment and relates directly to higher economic level/earnings attainment. In turn, the economy and society benefit through improved equity, reduced public expenditure on social welfare programmes and increased tax revenues<sup>5</sup> as well as the impact on household spending/multiplier effect, the overall contribution to GNP and the more intangible benefits of innovation and a more flexible and responsive workforce.

Investing in education is therefore investing in the future, as we stressed in our Joint Declaration on Investment in the Future (2011). However in times of continuing economic and financial constraints, we all need to remain realistic. Resources are scarce and Member States are forced to carefully plan their national budgets. Ministries of Education in Europe have to do more with less. In this context, it is interesting but true that there is no indication that those countries that spend more of their GDP on education perform systematically different on international achievement tests from countries with lower spending levels.<sup>6</sup>

***Therefore the key question should not be how to invest more in education, but how to efficiently invest in education.***

It is important to note that we should not be not looking for efficiency that means ‘at the least possible cost’, but for **efficient investment** in education in order to improve **education quality** and ultimately to reach the highest **educational outcomes**. We have to make sure that our pupils, students and adults have strong skills and competences and are able to adapt to the fast-changing needs in today’s knowledge society.

### **Rethinking the use of resources**

For the past few years, Member States have been reorganising and rethinking the use of system resources for education and how they invest in their educational institutions and students to improve quality of education and student attainment levels. The OECD distinguishes three main approaches.<sup>7</sup>

1. *Funding educational institutions*: Some countries are investing in their educational institutions to improve provision and infrastructure and ensure that funding meets the needs of institutions.

Belgium (Flemish Community) for example, is investing in its infrastructure by setting up a public-private funding partnership (2011) aimed at improving school infrastructure and building 211 schools.

2. *Investing in students*: Some countries are providing grants and loans with low-interest rates to help improve students’ access to secondary and tertiary education and alleviate obstacles related to financial resources.

For example: in Ireland the Third-Level Bursary Scheme (2012) has been introduced to improve access for students from disadvantaged backgrounds. The scholarship is

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<sup>5</sup> OECD (2014), Education at a Glance 2014: OECD Indicators, OECD Publishing, p. 152.

<sup>6</sup> Ludger Woessmann, ‘The economic case for education’, EENEE Analytical report Dec 2014, p. 26.

<sup>7</sup> OECD (2015), Education Policy Outlook 2015: Making Reforms Happen, OECD Publishing, pp. 115-117

awarded regionally to students from low socio-economic background, based on the results of upper secondary leaving certification.

3. *Using system resources efficiently*: Some countries are using funding strategies to support education investments and to respond to the financial crisis.

Greece and Spain have adopted measures to improve efficiency in education investment in response to the economic crisis. Greece has established a central Directorate of Economic Affairs in the Ministry of Education to explore the most effective and efficient use of the budget allocated to education. Spain has introduced measures to address the rational use of resources in education, such as increasing teaching hours and reviewing class size, adjusting education to demand, and reviewing university fees.<sup>8</sup>

### Investing in quality education

As said, investment in education should always contribute to the improvement of the quality of education and education outcomes. Thus the core question is: “What are the features of education policies that improve education outcomes?”

First, we would like to stress the importance of **good governance and strong leadership in schools and educational institutions**. Our work on “[Professional autonomy, accountability and efficient leadership](#)” shows the important role that autonomous and accountable school leaders play in the proper functioning of a school, in teacher performance and in improvement of student attainment. Research shows that accountability, autonomy, and choice are three dimensions of good governance that are important factors in achieving increased efficiency and better levels of attainment in a school system.<sup>9</sup> The OECD has repeatedly underlined that greater autonomy in decision-making relating to curricula, assessments and resource allocation tends to be associated with better student performance, particularly when schools operate within a culture of accountability.<sup>10</sup>

Member States use different accountability measures to incentivise, reward and support schools to provide quality education for their citizens. For example the UK is developing ‘destination measures’, tracking where students end up two or three years after leaving education. The new measures, which will bring together a range of education and employment participation data, will give a more rounded and accurate picture on the impact and success of educational institutions on young people beyond the school gate, and beyond narrow measures of performance in exam results or inspections.

Secondly, schools need to be **modern and offer innovative learning environments**. Schools of the 21<sup>st</sup> century should provide learners with the competences they need, whether for life or for work, in our fast-changing society. As we state in our position paper on “[Opening Up Education](#)” (2013), schools and universities should provide a professional working environment for our teachers, professors and researchers and an interesting learning community for our pupils and students, to foster a culture of openness and continuous learning for all.

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<sup>8</sup> OECD (2015), Education Policy Outlook 2015: Making Reforms Happen, OECD Publishing, pp. 115-117

<sup>9</sup> Ludger Woessmann, ‘The economic case for education’, EENEE Analytical report Dec 2014, pp. 26-28.

<sup>10</sup> OECD (2013), PISA 2012 Results: What Makes Schools Successful? Resources, Policies and Practices (Volume IV), PISA, OECD Publishing, pp. 128-130.

A learning environment also includes a school building that is comfortable, healthy and up to date to comply with modern educational visions. The EU could support the national policies on this matter for example by allowing Member States to use a reduced VAT-rate to building and renovating school infrastructure.<sup>11</sup>

Teachers play an important role in preparing future citizens and workers for a world that is constantly changing. Initial teacher education is no longer sufficient over the span of a teaching career. All teachers should have their vocational and pedagogical competences regularly updated through participation in appropriate professional development programmes and in assessment and self-evaluation programmes. We all need to recognise the need for continuing professional development throughout a teacher's career, and must put in place the **investment, incentives and rewards to encourage increased teacher participation in such programmes.**

This brings us to our third point, which is the strong need to **focus on skills and competences and the importance of lifelong learning.** The economic downturn and high unemployment rates have demonstrated painfully the gap that exists in some European countries between the world of work and the world of education. Graduates are unable to find work, while at the same time vacancies remain open and companies are unable to find suitable candidates with relevant skills and competences. In a world where change is constant, neither education and training providers nor enterprises can predict accurately what specific skills and competences will be required in the workplaces of the future, as we state in EFEE and CEEP's Joint Recommendations on "[Matching education with the needs of the public services of the future](#)". Consequently, emphasis should be focussed on the provision of key competences and the inculcation of attitudes that provide workers with the capacity to go on learning for the whole of their lives so that they may be able to adapt effectively to the changes that will affect their lives.

Furthermore there is a need to develop **stronger cooperation between the world of work and the world of education.** Apprenticeships, internships and work-based learning could be effective means to improve the transition between both worlds. Moreover, local and regional partnerships between schools, businesses and local/regional governments could contribute to ensuring young people get the relevant skills to enter the labour market.

In the Netherlands, for example, a regional investing fund for VET has been set up to promote public-private partnerships between VET schools, colleges, local businesses and local/regional governments in order to make education more innovative and more closely linked to the labour market.<sup>12</sup> In the UK, Councils have set up several initiatives to support youth transition into work and learning, including developing and advising on vocational routes, particular apprenticeships, building long-term relationships with employers that permits them to have a genuine influence on the education and skills system, and supporting the creation of learning and job opportunities locally.<sup>13</sup> In order to better link the world of work and the world of education it is key that measures are taken at the most efficient level.

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<sup>11</sup> Article 98 of the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax restrains the possibilities for a reduced rate to those supplies, goods or services set out in the categories in Annex III in which school infrastructure is not included.

<sup>12</sup> <http://www.investeringsfondsmbo.nl/>

<sup>13</sup> Local Government Association, Councils supporting youth transitions into work and learning, April 2014

**Conclusion: promote efficient and smart investment for improvement of quality of education**

EFEE agrees with European Commissioner for Education, Culture, Youth and Sport, Tibor Navracsics, that smart investment in education is needed and that Europe has to continue to be ambitious in its efforts to modernise and improve education.<sup>14</sup> We would like to underline that smart investment in education requires a strategic and coherent vision on how to improve the quality of education.

We are of the opinion that the European Commission can play a **leadership role** in this process, by helping Member States and social partners to promote efficient and smart investment in the education sector with a focus on students' attainments, educational outcomes and students' employability, and by encouraging leadership at national level to foster and build links between education and employers/industry.

We need to bear in mind that completely reforming education systems cannot be the answer to the current economic and financial situation in Europe. National education systems are based on national cultural and socio-economic values, as well as decades of work and experience of educational professionals. We need to be prudent in order to not harm our education systems by quick changes triggered by the demands of the labour market, or the media, or politicians wanting a quick fix for the current unemployment rates. Providing education for our children, our youngsters and adults is more than training them to be employees. Education should instead provide key skills and competences that give all Europeans the capacity to go on learning for the whole of their lives so that they may be able to adapt effectively to the changes that will affect all aspects of their lives—in the family, in the community, and in the workplace.

EFEE, together with its members and partners, will continue to work towards improving the quality of education in Europe in order to ensure that schools and universities of the 21st century are up-to-date and modern and that a smooth transition between education and the labour market can be guaranteed.

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<sup>14</sup> Speech Commissioner Navracsics "Smart investment in education: a case for urgency – and patience", 18 November 2014