

## **SUMMARY for NON -SPECIALISTS**

Two important features of education stand out: it has a strong influence on economic growth and it accounts for a sizable share of public expenditure: over 5% of GDP for education as a whole, of which the tertiary level accounts for 22% in the EU as a whole.

Education is at the core of the Europe 2020 strategy. Member States recognise a strong need for highly qualified labour. Several Member States have explicit policies to raise participation rates in higher education and all have agreed an EU level target for attainment rate of 40% of the 30 to 34 years-old. The ageing of populations compounds the need for periodic education and training: as the labour force shrinks, raising labour productivity increasingly becomes the efficient way to maintain standards of living. The working-age population is projected to shrink after 2020 in the EU as a whole, acting as a drag on growth and productivity would become the dominant source of growth. Productivity growth, however, can only be expected to partially alleviate the need to reduce and contain costs in order to safeguard sustainable public finances.

At the same time, it has become more urgent to improve the quality of public finances in view of the need for budget consolidation across the EU. Increased scrutiny is required to monitor the efficiency and effectiveness of public expenditure and assist in the definition of priorities, notably to identify areas that may enhance future growth. Although the policy stance across the EU is diverse, the public finance situation increases the responsibility for increased efficiency, and effectiveness, of public expenditure on education across the board. Member States should use all available tools to ensure that the consolidation of public finances is accompanied by improving government services.

Following the mandate of the Economic Policy Committee, the Working Group on Quality of Public Finances and the European Commission collaborated on the evaluation of the efficiency and effectiveness of expenditure on tertiary education.

The report presents the main lessons from the economic literature on education and reviews the main trends in tertiary education, based on the statistical information available. It presents also the institutions of tertiary education systems across the EU and draws the lessons from country experience.

The report looks into the efficiency of the education systems, that is at the relationship between inputs and outputs, and to which extent outputs are attained while minimising production costs. It also analyses effectiveness, which is the connection between inputs, outputs and more general objectives or outcomes. While outputs from tertiary education are graduated students or published papers, outcomes to which these outputs in principle concur are higher productivity, employability, innovation, and economic growth.

When considering effectiveness of tertiary education across countries, the report is asking the following questions:

- i) Are increasing tertiary education spending levels affecting in a positive way labour productivity or total factor productivity?*
- ii) How does efficiency in tertiary education promote employability? Namely, does efficiency explain the gap between graduates' unemployment rate and that of people with secondary education only?*
- iii) And how does efficiency in spending affect the relationship between tertiary education spending and labour productivity?*

A comprehensive annex includes two sets of individual country fiches prepared by Member States and the Commission. Each fiche describes the tertiary education system, and the explanatory factors for efficiency (in particular staff policies, evaluation and funding rules), the impact on employability and finally the recent and planned reforms.