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Concluding Remarks

Ladies and Gentlemen, I think that our discussions yielded a number of interesting insights. Let me summarize just a few of them: We currently face a double economic challenge in Europe. First, productivity growth and hence economic growth remains subdued in Europe. Second, the challenge of globalization will entail structural adjustments and potential job losses. In addition, we need to fight poverty and stimulate growth in developing countries by using demographic windows of opportunity.

For all these problems, boosting human capital via appropriate education policies can be part of the answer. In particular, we observe the following empirical regularities:

Macro- and microeconomic evidence shows that the quantity and quality of education contribute substantially to productivity growth and thus economic growth, e.g. via increased development and widespread use of innovations and advanced technologies. In estimations presented today, the elasticity of output with respect to the stock of human capital is almost certainly above 0.5, almost 50% higher than previous estimates. As a consequence, knowledge is replacing physical capital as the main driver of economic growth.

Educational attainment does not only matter for economy-wide productivity growth, but also for the employability of individuals – employment rates correlate with levels of educational attainment. Indeed, a solid educational base coupled with lifelong learning is probably the best way to cope with the challenges of globalisation. It provides the means to quickly change jobs and move out

of unemployment or jobs which are threatened by new competitors.

As countries approach the so-called technological frontier, tertiary education becomes more important than primary or secondary education, as it fosters the adoption of advanced technologies and develops general skills which can be taken from one job to the next. Needless to say, broad levels of participation in tertiary education need high quality pre-school, primary and secondary systems.

Education matters also for monetary policy because it raises the speed



limit of an economy by increasing productivity growth and labor utilization; and because it increases labor mobility, which is crucial in a monetary union to deal with asymmetric shocks.

A particular aspect of education, financial education, is both a critical component of a robust and effective financial system, and thus also for productivity growth; and for the inclusion of large parts of the population into the benefits offered by various financial products. It can also be seen from a consumer protection perspective.

Last, but not least, human capital is key for poverty reduction and growth in developing countries. The current cohort of 12 to 24-year-olds

is the largest in history, but it is also better educated and healthier. This is a strong base on which to build further efforts for an acceleration of economic growth and a crucial opportunity which should be used before ageing sets in.

Do the current education systems in Europe exploit these potential benefits of education? As we have heard during the discussion, European education systems are on the whole – with exceptions – characterized by a focus on vocational rather than general skills, which fosters quick inte-



gration into the labor market, but which slows the adoption of new general purpose technologies and reduces labor market mobility. Vocational skills are also more prone to quick outdated and would thus require increased lifelong learning, but with the exception of a few countries, we do not see high levels of lifelong learning. In terms of levels of educational attainment, secondary education systems are alright on average, with large country variation.

The big problem is seen with tertiary education, both in terms of quantity and quality. In Europe on average, we observe much lower participation in tertiary education than in the U.S.A. There are fewer top European universities, although many existing universities are of a good aver-

age quality. We face problems with the scientific training of graduates and declining numbers of science and engineering students, as well as generally low spending on tertiary education and a national fragmentation of systems.

Which policies have been suggested to deal with these problems?

In secondary education systems, care should be taken to increase the efficiency of public spending on education. The PISA study shows that very different overall scores are achieved with comparable amounts of public spending.

Concerning higher education, the “massification” of higher education in Europe over the last decades implies a diversification of the university system – democratic at the base, but elitist at the top. So far, this is not happening, there are few top universities in Europe, leading to brain drain and unused human potential. Public investment, but particularly private investment in universities should be increased to reach the Lisbon Agenda’s 2% GDP-goal of investment in tertiary education. To this end, income-contingent loans can be introduced to enable higher and differentiated tuition fees which would also foster competition among universities; an alternative is more European-level funding, integrated into a European area for higher education.

In the area of lifelong learning, the European Commission stresses an integrated approach where traditional activation and social policies are complemented by policies that promote human capital over the entire life time. This would also promote job flexibility with individual financial security.

As regards the Austrian education system in particular, the discussants agreed on the observation that we do not use our potential. To get back to the top of education benchmarks, a concept for the education system as a whole is needed, including a compulsory pre-schooling year and improved secondary education. There is now widespread consensus on the beneficial effects of increased school autonomy in reaching – yet to be established – nationwide school performance standards. In order to broaden participation in tertiary education, a reduction of the social selectivity of the Austrian school system will be necessary. Austrian higher education needs a better coordination between its different components, as well as

reformed access and increased graduation ratios.

In all of these areas, we can learn a lot from others, empirical research results are now readily available for almost every area of the education system. This is an opportunity for policy makers to embark on reform.

In conclusion, we have seen that education and training are very important tools of economic policy. However, they need to be embedded in a comprehensive strategy which also tackles product, labor market and capital market reforms, as well as the sustainability of public finances and better regulation. In short, we need to push further the Lisbon Agenda, because we are still far away from its goals. 