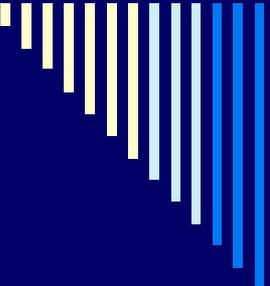


The Economic Role and Contributions of Universities: Their Labour Market Role?

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Reforming the Education System in the Arab World with the
View of Enhancing Employability of Outcomes
Kuwait - November 5th, 2014



Outline of Presentation

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Universities and
the Workplace

Nature and Structure
of University
Contributions

The University as
Creator of Skills and
Knowledge

The University as a
Knowledge Generator

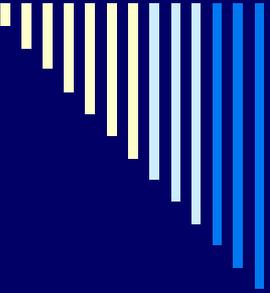
The University as
a Visitor Attraction

The University as
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The Effects of the
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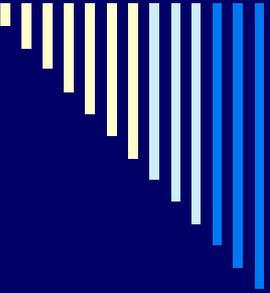
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The Evidence



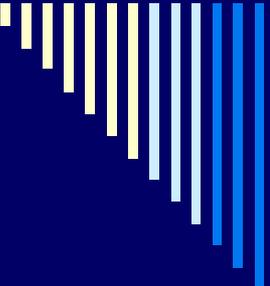
Introduction

- A footprint exercise
- Universities - breadth of their contributions poses a problem
- The size and time-scales of their contribution make the analysis necessary
- Links between universities and wealth creation are widely recognized



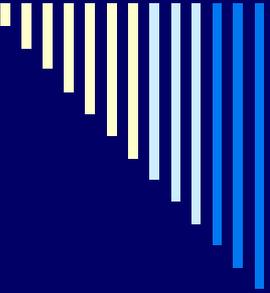
Introduction

- Their impacts have rarely been measured, and never comprehensively
- There was a period when universities simply taught students
- They are now centres for research, innovation, new products, up-skilling and new businesses



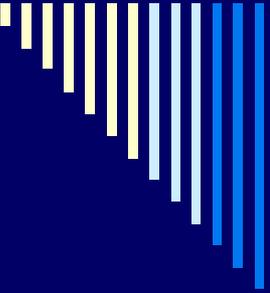
The Issues I

- Universities have not fared well in their up-skilling task.
- They have been criticised for generating vectors of “outputs” that have little resemblance to what the labour market requires and expects.
- Universities have argued that the expectations that they produce the labour force requirements miss the core functions of universities



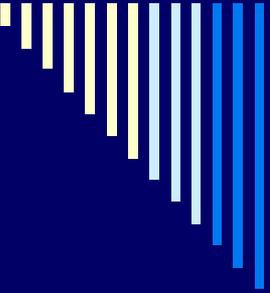
The Issues II

- Their primary function is to train minds and develop critical thinking faculties and not labourers.
- The new economic theory of education conceptualize the universities as social institutions that reduce the transaction and search costs for employers by signalling the attributes of their prospective employees.



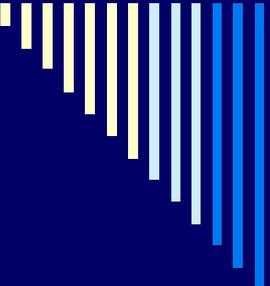
The Issues III

- A labour market without signalling from universities and with no institutional accreditation is costly for employers and society.
- The education and career trajectories of individuals is seldom linear.
- Few people at 17 or 18 have a crystal-clear idea of what their job will be at age 40.



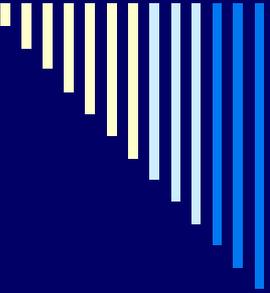
The Issues IV

- The patterns governing the modern workplace are fundamentally different from a linear structure.
- There is an increasing, and perhaps a mistaken expectation that graduates are entitled to find a high-level and high-paying job right out of university.
- Any lag or mismatch is squarely the fault of universities.



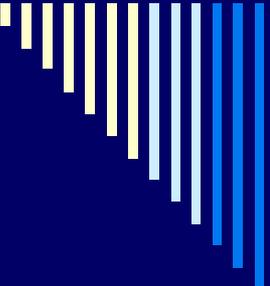
The Issues V

- Universities are wrongly blamed because they are not, and should not be, in the business of producing “plug and play” graduates.
- Universities conceive their role differently.
- They must provide the kind of broad intellectual and personal development that enables graduates to thrive in a world that is constantly changing.



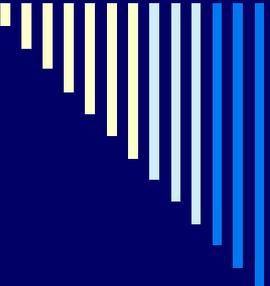
The Issues VI

- A world in which they will change jobs as the shelf life of any occupation is now less than seven years.
- To graduate students for a specific job is not only difficult, it is also wasteful.
- Universities are not to be seen as training centers and the responsibilities of employers to train their workers should not be shifted to universities.



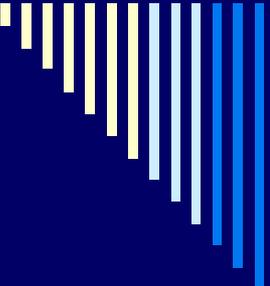
The Issues VII

- Specific job training should come primarily from the work place, building on the broad foundation developed through university experience.
- Universities are primarily in the business of positive human development.



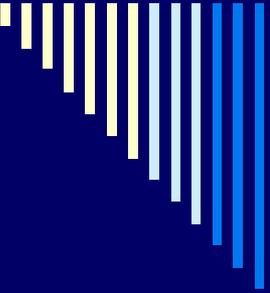
The Issues VIII

- They focus on enhancing the abilities of graduates to communicate clearly and effectively, to analyze, to clarify ambiguities, to deconstruct problems into manageable parts, to think critically and to question deeply.
- The appropriate division of labour responsibilities calls for a different arrangement. Universities educate but employers train.



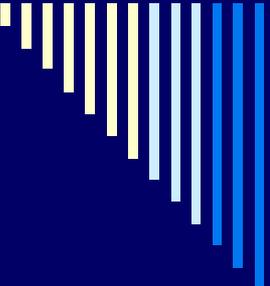
The Issues IX

- In the knowledge-based economies of the future, universities point out that the economic health of countries is strongly tied to critical thinkers they are graduating.
- The next generation of leaders in the knowledge-based economy will only emerge from these institutions and can only be great if employers understand and value university education as a broad education, not specific skill training.



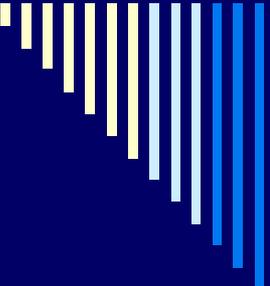
The Critics of the University I

- But what about the high number of unemployed university graduates and the very high Arab youth unemployment rate?
- Universities have remained confined to a narrow age cohort of students between 18-22 years of age, typically studying between 8 a.m. to 5 p.m., in specific college towns, and enrolled in 8 to 10 faculties earning a limited number of no more than 70 types of degrees and certificates.



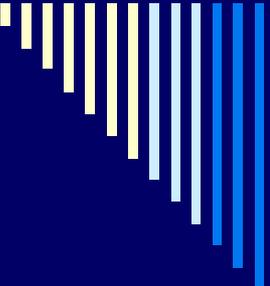
The Critics of the University II

- University education appears to have remained mired within the Fordist-smokestack structure of production with silos and homogeneous products and did not transit into the modern flexible ICT structure of flat bases, real time adjustments and customization.



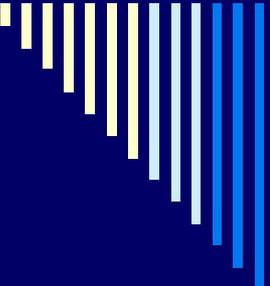
The Nature and Structure of University Contributions I

- Unlike many industries that tend to import a high proportion of the goods and services required in their production processes, universities tend to spend comparatively more money locally.
- A large proportion of their spending is on wages and salaries. As a result, university expenditures create more jobs than many other sectors.



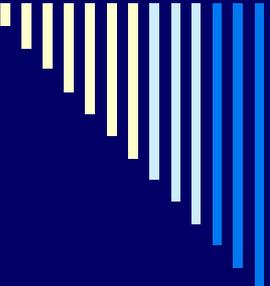
The Nature and Structure of University Contributions II

- University employees typically earn higher wages relative to other industries, providing higher incomes and better job opportunities in their local economies.
- Incomes earned at the University are typically high and stable. Economists refer to them as part of the “permanent” income of consumers.



The University as Creator of Skills and Knowledge I

- The University as a Knowledge Generator
 - Technology Transfer Based Spin-offs
 - Partnerships and Funded Research
 - Knowledge Generation Through People

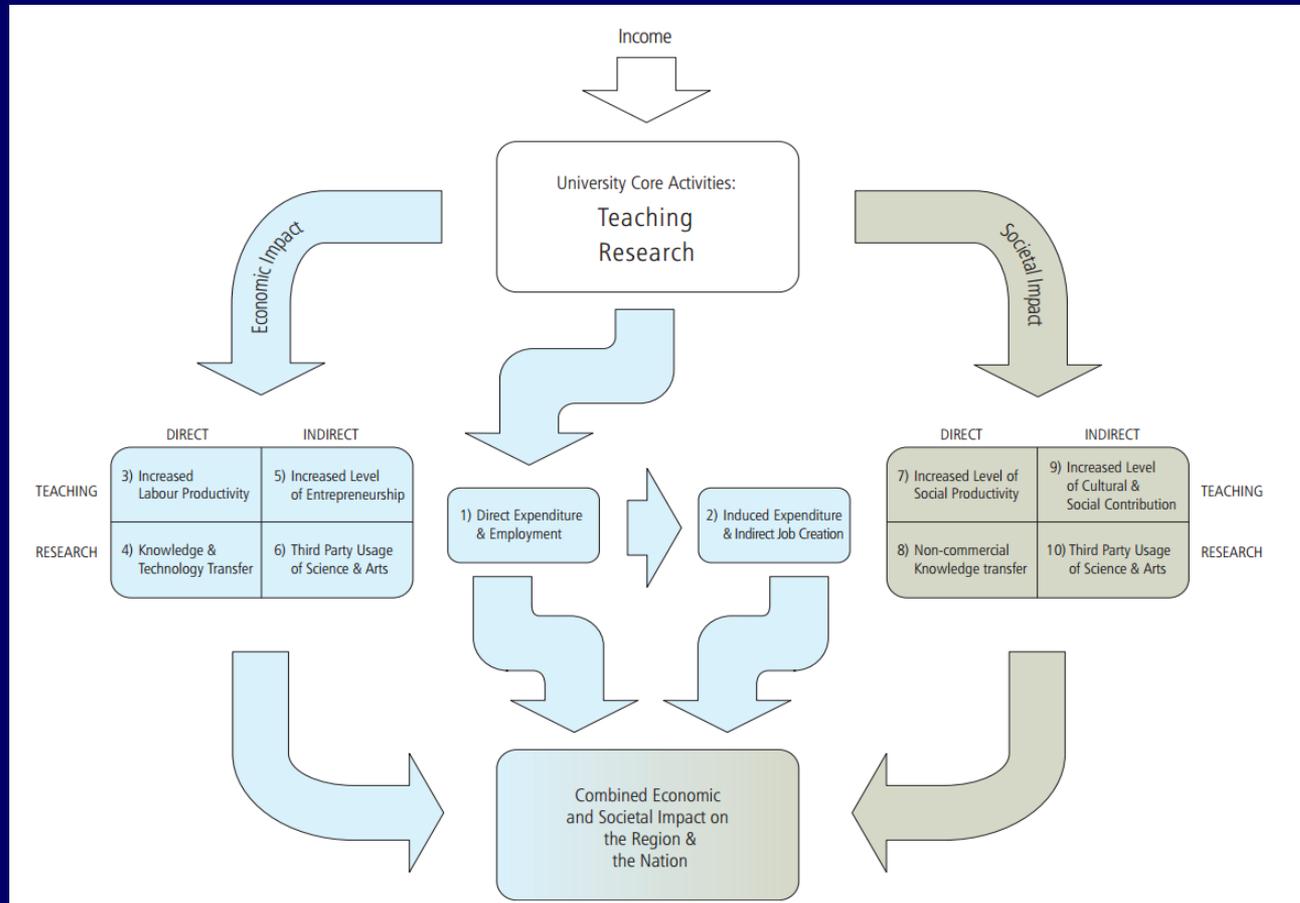


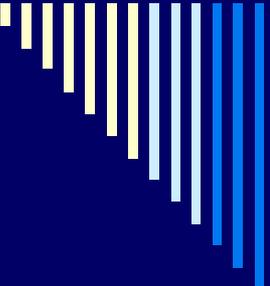
The University as Creator of Skills and Knowledge II

□ The University as a Social Institution

- Economic Stimulus of Higher Education
- Community and Cultural Contribution
- Enhanced Reputation
- Open Space

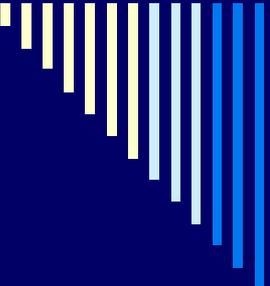
University Core Activities: A Schema





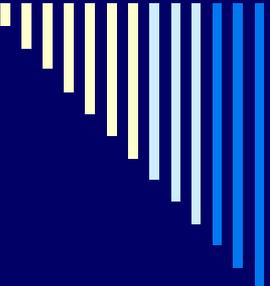
Impacts of the Core Activities

- Direct Expenditures on Capital and Operations
- Indirect Expenditures: The supporting industries
- Increased Labour Productivity
- Knowledge and Technology Transfer
- Entrepreneurship
- Knowledge Application



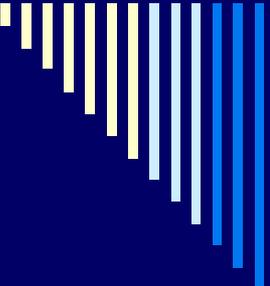
The Virtual University – Advantages and Disadvantages

ADVANTAGES	DISADVANTAGES
Learning is time and geographically independent, and hence more flexible.	Faculty members must relearn their teaching and research processes.
Students actively participate in the learning process, and have more control over their learning.	Faculty members must learn to use the technology (eg navigate the Web, use the Web to enhance interaction with students)
Lower costs to students.	Academics need more time to develop subject material.
Access to current materials.	Limitations in time, and knowledge of the technology could impact on the completeness, and correctness of subject material.
Increased retention of knowledge.	Learning barriers can be created through hardware malfunctions, remote dial-in access problems, and heavy traffic on the Web.
Learning becomes more individualised, and hence suites the needs of all students.	Limited university funds could restrict the virtual university's teaching and learning environment.
Increased interaction and collaboration between students and academics.	
Students develop more independent learning skills.	
Provides students with more accessibility to peers and academics	



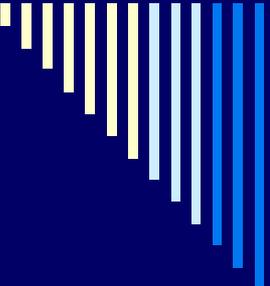
New Trends in University Education I

- ❑ Experiential and applied learning and multi-disciplinary degrees.
- ❑ Programming that takes its cues from the sectors that drive the economy.
- ❑ Employing a customer service approach in their dealings with students.
- ❑ Cultivating a donor relationship with their student's while still in school



New Trends in University Education II

- Improved cooperation between colleges and universities resulting in the transferability of degrees between institutions, applied degree programs, and joint initiatives.
- Research excellence and innovations that take inventions and creativity from university labs and offices into higher value added products and services.

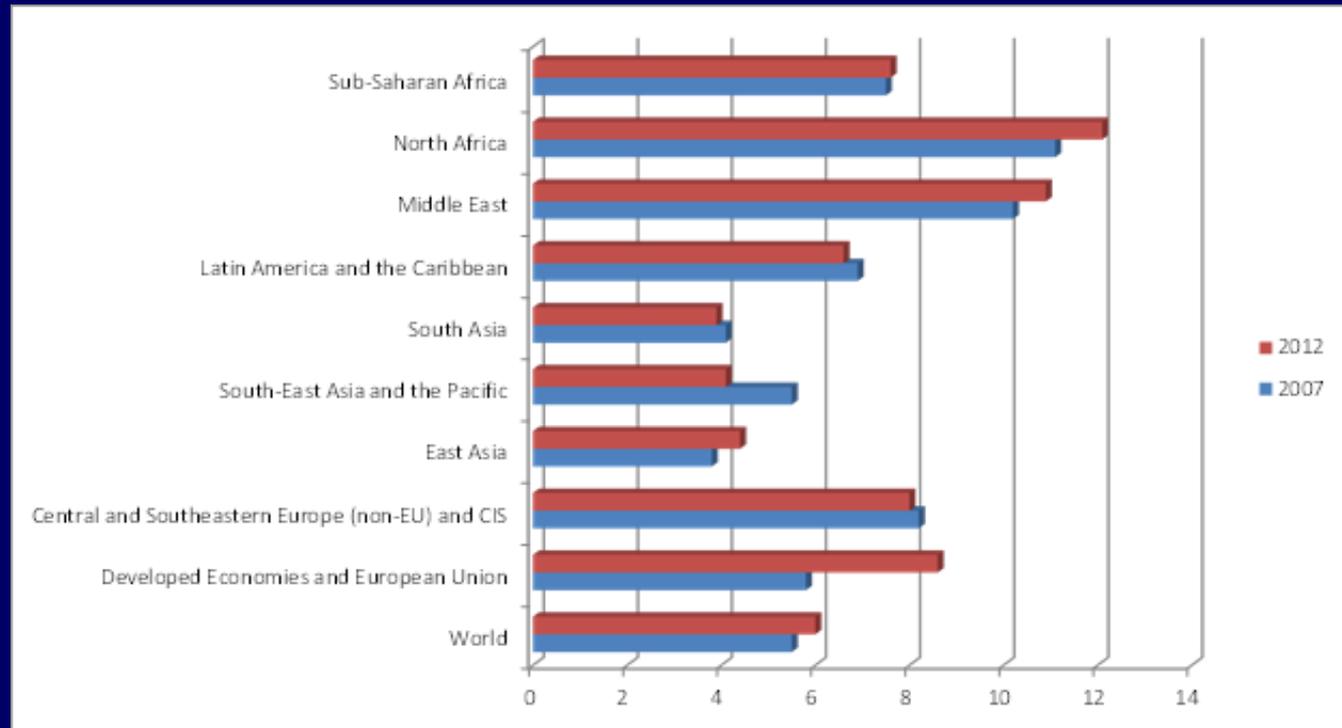


New Trends in University Education III

- Developing clusters and structures for bringing together knowledge, expertise and innovations to their communities.
- Building incubators for new technologies, ideas and products that use university resources and capacities.
- Fostering partnerships with other educational institutions, government and corporations to capitalize on network capital.

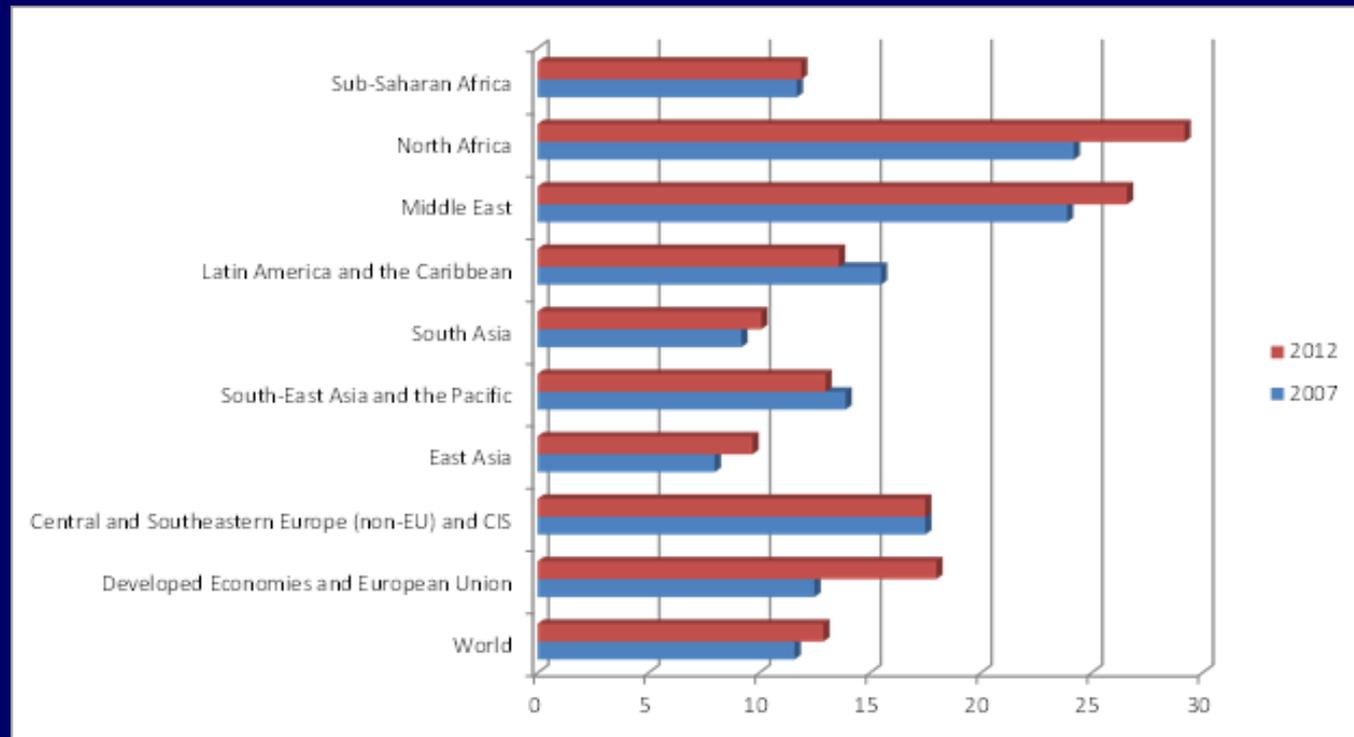
Arab Universities and Arab Labour Markets: The Evidence I

□ High Arab Unemployment Rates

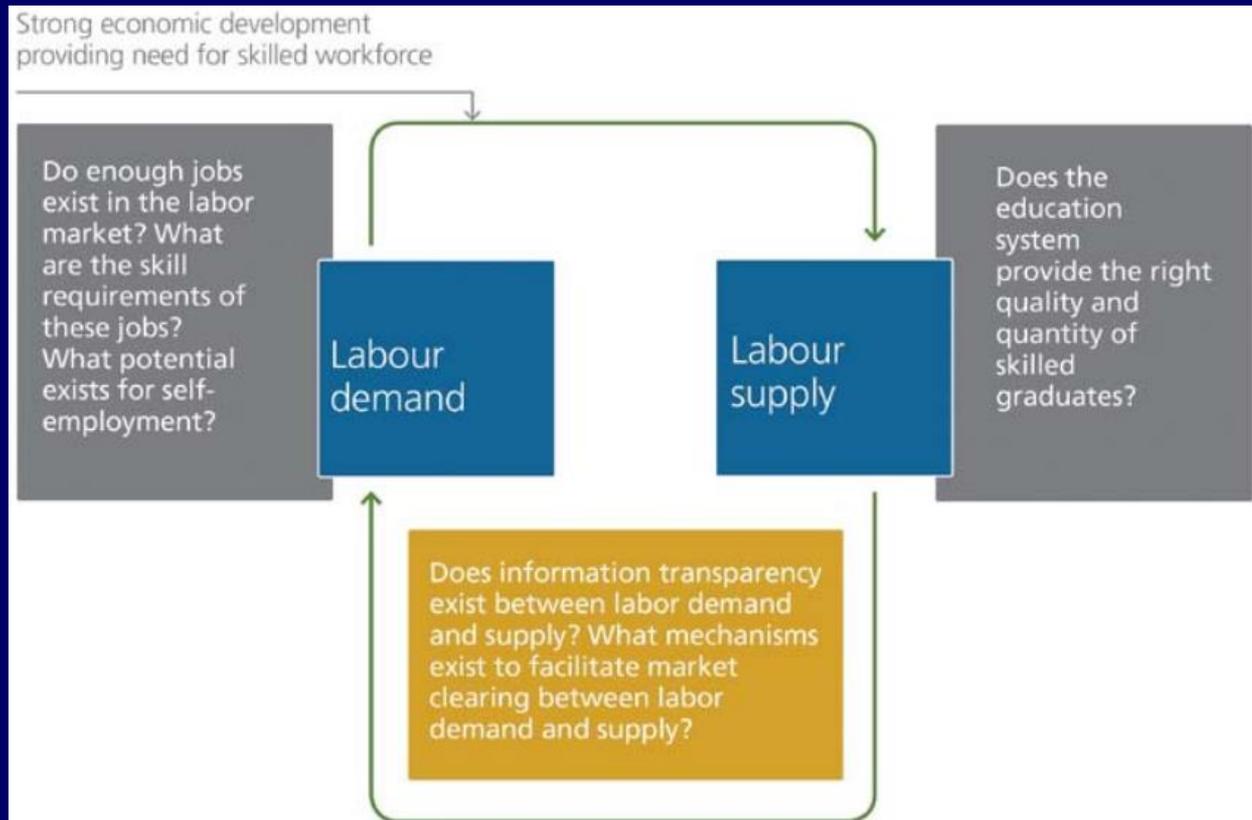


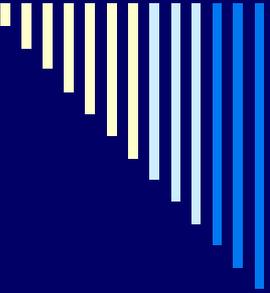
Arab Universities and Arab Labour Markets: The Evidence II

Higher Youth Unemployment Rates



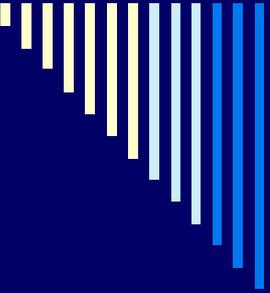
The Structure of the Arab Youth Unemployment Problem





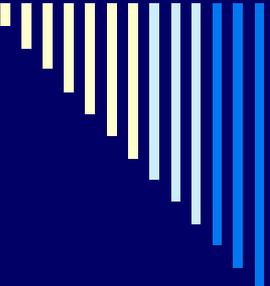
Labour Demand Issues

- Demand for labour is a derived demand for the products they produce
- Deficient aggregate demand
- Non-compact production spaces
- Weak private sectors
- Preference for cheap labour
- Limited labour market placement services



Labour Supply Issues

- ❑ Large cohorts of young people
- ❑ Low participation rates for women
- ❑ Mismatch of skills of graduates with employers' requirements
- ❑ Lack of labour market counseling
- ❑ Limited communication between universities & colleges and employers
- ❑ High wage expectations of nationals

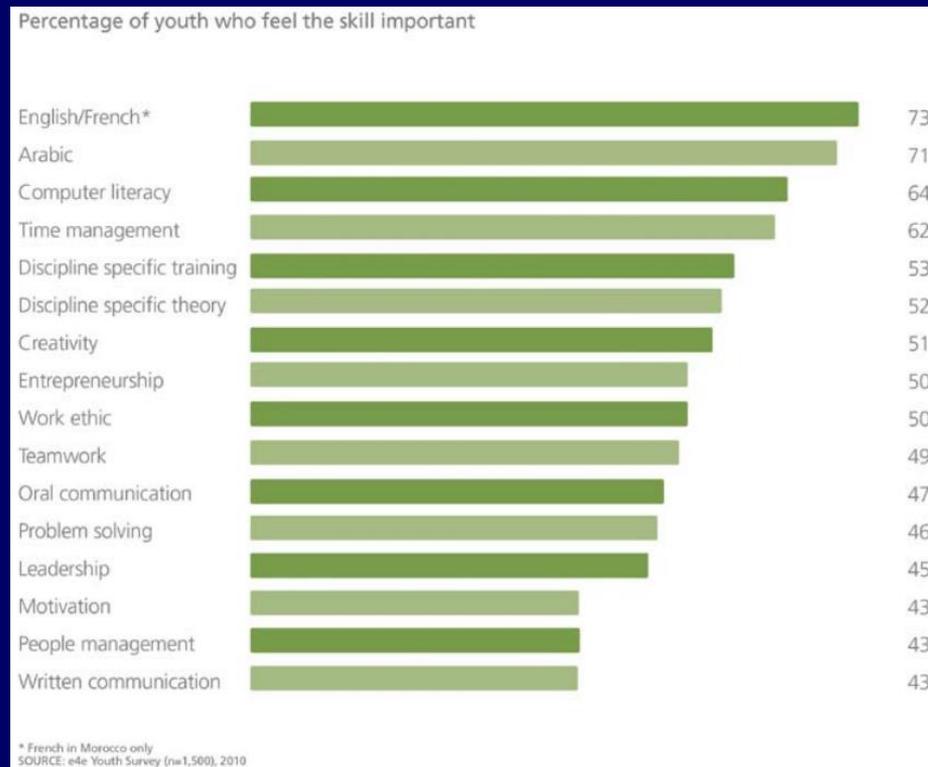


Market Clearance Issues

- Inflexible wages, non-market wages, queuing for government jobs.
- Segmented labour markets
- Lack of transparency
- Weak labour market institutional mechanisms
- Long leads/lags of adjustment mechanisms
- Limited labour market policy tools

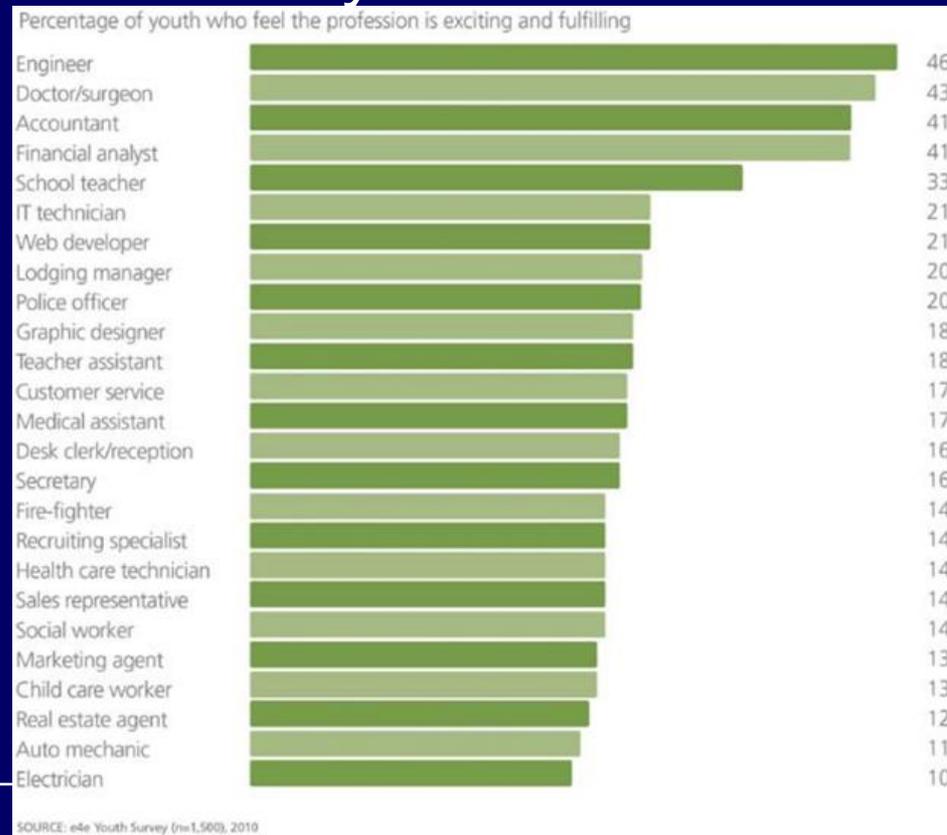
Expectations of Employees and Employers I

□ Employees



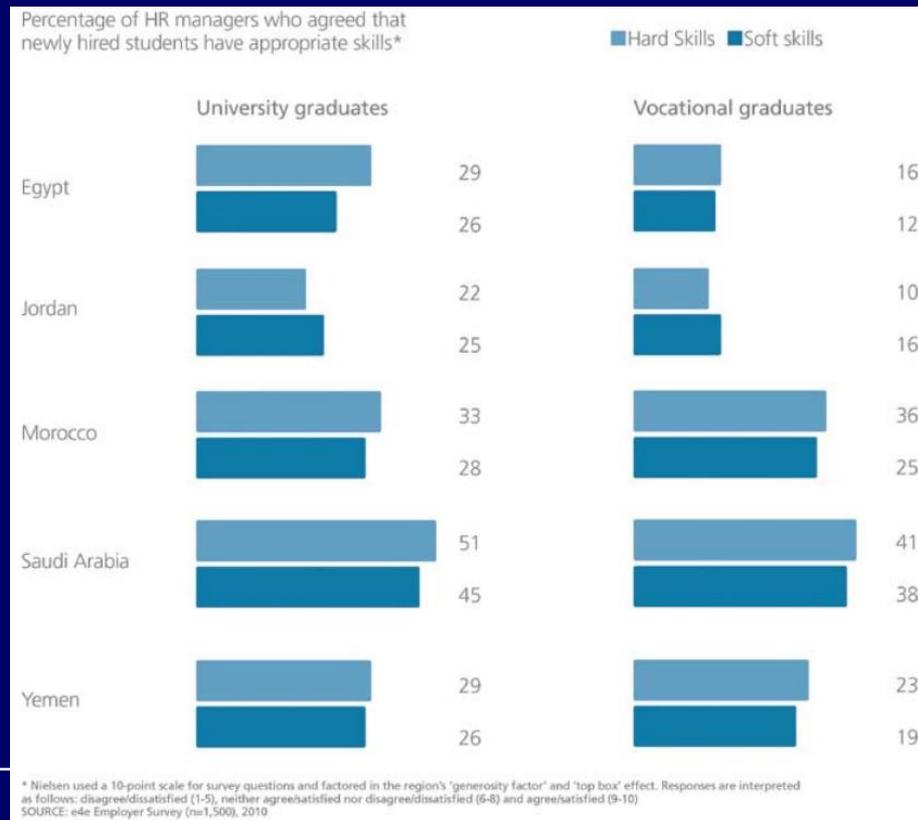
Expectations of Employees and Employers II

□ Youth Survey

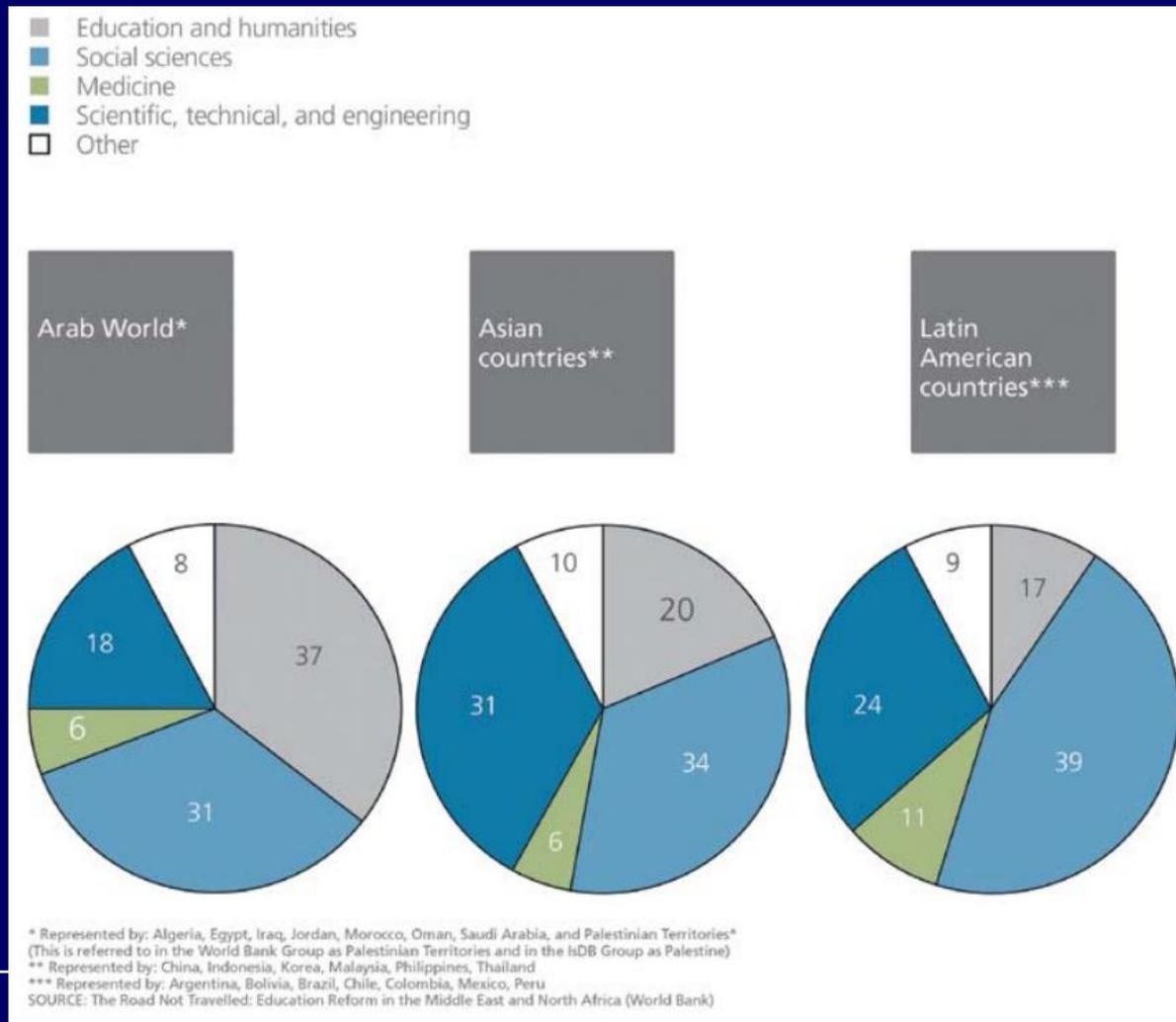


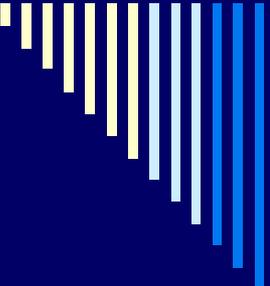
Expectations of Employees and Employers III

□ Employer Survey



Fields of Study: A Comparison



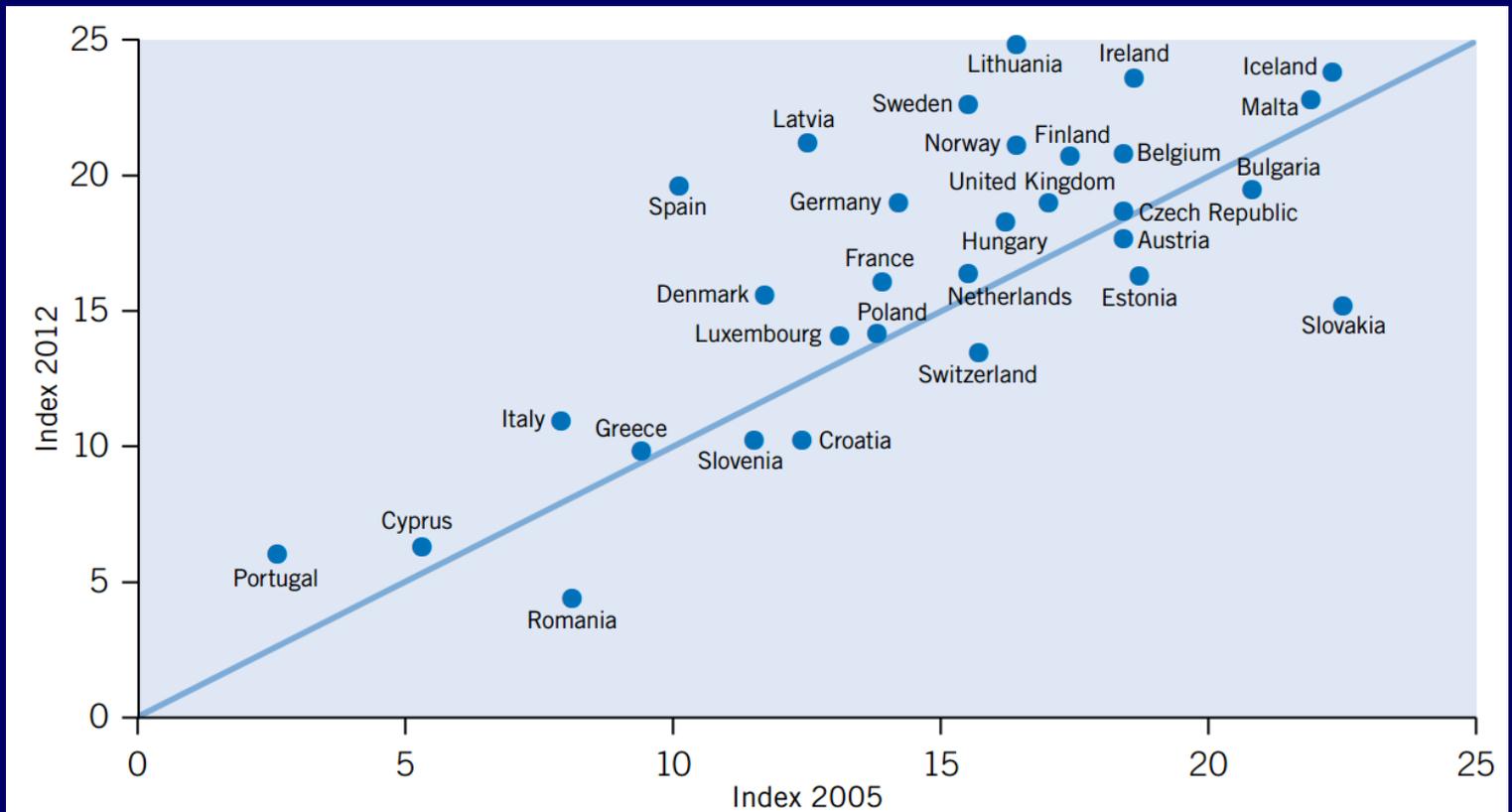


Index of Dissimilarity

$$D = \frac{1}{2} \sum_j \left| \left(\frac{E_j}{E} \right) - \left(\frac{U_j}{U} \right) \right|$$

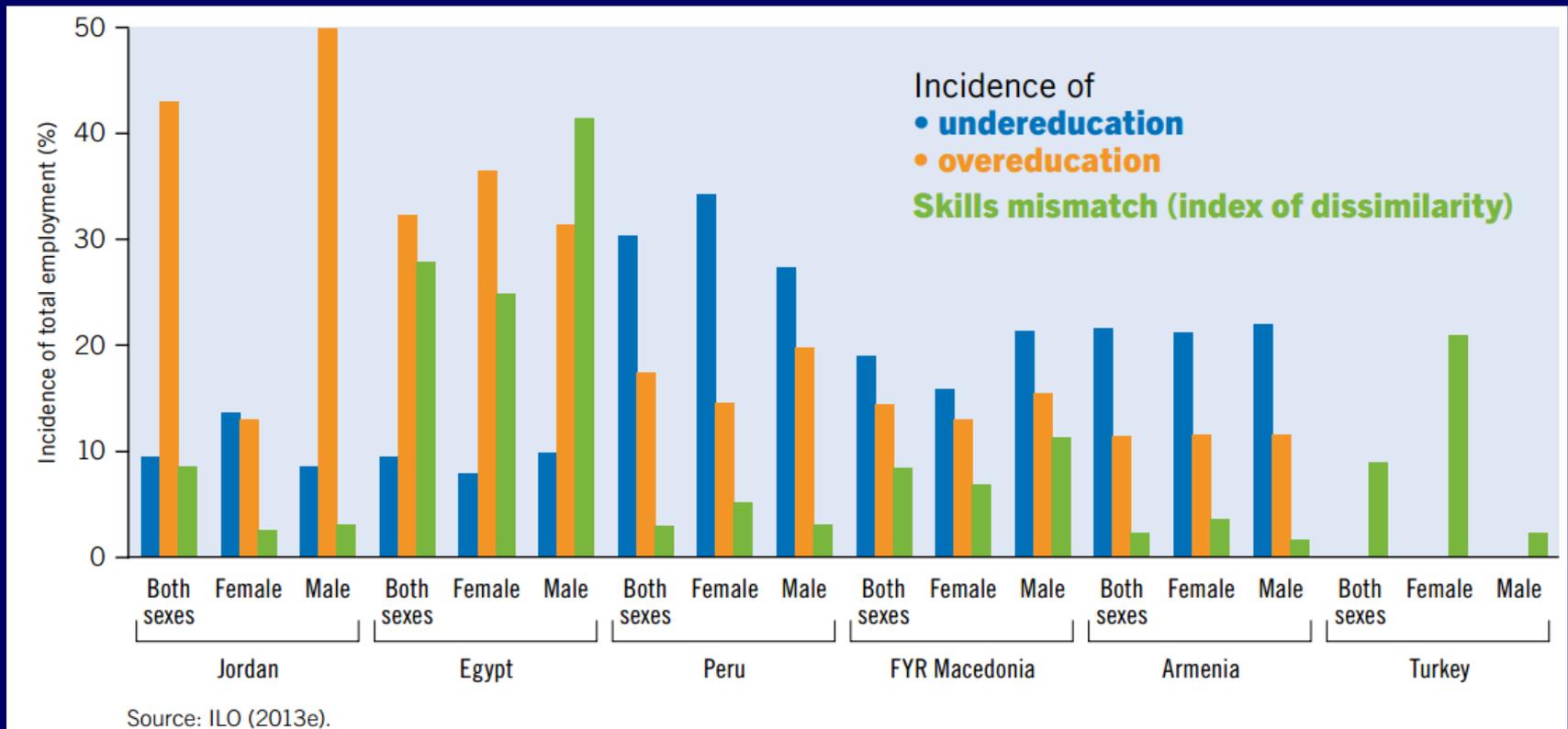
- Where E_j is the number of employees with education level j , E is the total number of employees, U_j is the total number of unemployed with education level j and U is the total number of the unemployed.

Skills Mismatch I



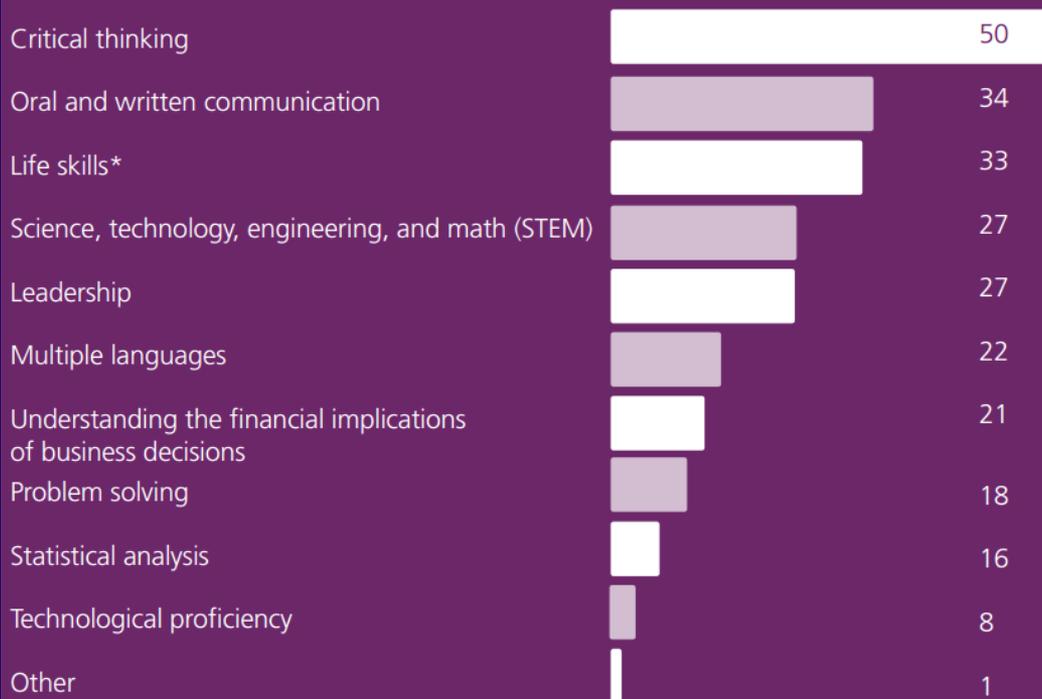
Note: The chart displays the ILO skills mismatch indicator based on an index of dissimilarity that measures the differences in the shares of educational attainment of the employed in comparison with the unemployed. Source: ILO

Skills Mismatch II



Latin America Business Executive Survey

Percentage of executives who feel the skill is missing



* Defined as negotiation, networking, collaboration, and working with cultural diversity
SOURCE: Economist Intelligence Unit, Skills to compete: Post-secondary education and business sustainability in Latin America, 2009