BUSINESSEUROPE

SPEAKING NOTES

GO FOR GROWTH
AN AGENDA FOR THE EU IN 2010-2014

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Round Table: University-Business cooperation for smart, sustainable and inclusive growth

SPEAKING NOTES FOR PHILIPPE DE BUCK, DIRECTOR GENERAL

Thank the organisers for the invitation to the third University-Business Forum. This year's themes are all important factors for a successful Europe 2020 strategy.

BUSINESSEUROPE recently published its Go for Growth agenda. As part of this, we want to reinforce European policies that support business, innovation and skills. This is crucial if Europe is to double its growth potential and ensure the sustainability of our social systems.

World-class universities and better cooperation between business and universities can certainly help achieve a strong economic development. By providing talented graduates and performing research, universities are a cornerstone in our future growth.

The knowledge base built up at universities is vital for the development of innovative products and services. This in turn will lead to faster economic growth, enable us to face global competition and tackle new challenges.

For that, we also need higher skills in the work force. Unfortunately, only 23% of Europeans have a tertiary education. At the same time, Cedefop, the European Centre for the Development of Vocational Training, estimates that most of the 80 million job opportunities available by 2020 will require highly skilled workers.

University-business cooperation clearly is a key component for successfully addressing the priorities on growth of the Europe 2020 strategy. Let me explain why.

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Smart growth

Firstly, smart growth will require Europe to make the most of its knowledge resources. This means bringing together the knowledge of business and universities. Both excellence and critical mass are required to attract investments and the world's sharpest brains.

An entry ticket will be needed to be part of the increasing brain circulation. This means investing in education and R&D, but also ensuring a business climate that promotes innovation.

It is therefore alarming that investments in R&D are lower in the EU than in many other parts of the world. In 2007, the EU investment in R&D reached 1.9% of GDP. By contrast, the USA invested 2.7%, Japan and South Korea over 3 %. BUSINESSEUROPE welcome the renewed target of investing 3% of GDP in R&D set out in the Europe 2020 strategy.

We also welcome the Commission's proposal to develop an indicator that would reflect both R&D and innovation intensity. Compared with our major competitors, we are lagging behind when it comes to output as well. The 2009 innovation scoreboard shows that the innovation gap to the US and Japan is significant. Although the gap has diminished, the closing in on this gap has slowed down. Only through a stronger knowledge flow between education, research and business can Europe boost innovation.

Researchers' ambition to publish and companies' ambition to commercialise could and should be combined. Many successful university spin-off companies stay in close contact with the university. They claim that "you simply publish one day and patent the next".

Inclusive growth

Secondly, a key ingredient for inclusive growth is a good match between the supply and demand for skills. Indeed, in addition to higher skills, it is also important that people have the right skills. Greater university-business cooperation could help avoid mismatches. For instance, business representatives should communicate what skills and competencies they are looking for.

Skill shortages already strike European companies, in particular skills within science, technology, engineering and mathematics (STEM). Two thirds of UK businesses recruiting in this field are having difficulty at some level. The consequences for the wider economy are severe. In Germany, the lack of engineers in July 2007-July 2008 caused an estimated loss of € 28,5 billion.

Fewer mismatches would not only lead to more efficient use of human resources with social and economic benefits for the society. Let us not forget about the individual who has invested several years in an education. Educational institutions have a responsibility to provide courses that aim at employability. When well-matched to

labour market needs, a university degree normally pays-off. OECD recently made calculations on how worthwhile it is to have higher education. The earnings premium for people with degrees averages over €140,000 across OECD countries over the course of an entire career. The personal responsibility when choosing to undertake an education also has to be acknowledged. It should be an informed choice, taking into account the prospects of employment.

Sustainable growth

Thirdly, sustainable growth will require the right balance between competitiveness and moving towards a low-carbon economy. The science skill shortages that Europe currently faces put the Europe 2020 target linked to tackling climate change at risk.

(Addressing sustainable growth will also require employees who can take on real-world challenges. Developing the problem-solving capabilities of students is increasingly important in today's world. Such capabilities could be promoted through the involvement of companies in the teaching. For instance, science students could be encouraged to perform some of the laboratory work within their education at companies.)

This also links in with the changed environment in which universities have to operate. The pressure on European universities to remain globally competitive and attract international students and researchers has grown. This should not be seen as a threat. On the contrary. Increased competition can lead to the development of service and product innovations. It could also lead to higher teaching quality. Still, universities must be pulled up to a higher level, not pushed.

(As I already mentioned, universities play an important role in our economic development. However, they need to play this role differently than in the past. Universities should be reformed into being more responsive to the needs of individuals, labour market and society.)

Business can help universities in this respect. They can assist in the management, governance and leadership of education institutions. They can help to ensure more people have the skills needed for success. A good example is the work undertaken by our British member federation, CBI, which has established a Higher Education Task Force. It brought together the vice-chancellors of three leading universities and the chairman or CEO of a range of UK employers. The aim was to explore what business wants from higher education, how business and universities can best work together and how the education sector should be funded.

There is no contradiction between university-business cooperation and university autonomy. For instance, in 2005 Darmstadt Technical University became the first truly autonomous German public university. Since then, the amount of third-party funds flowing to the university have nearly doubled. The university has long-term strategic alliances with industrial partners.

In sum, the three priorities of Europe 2020 all point to the necessity of a smooth relationship between universities and business. Universities could function as a true catalyst for economic growth. However, we can conclude that it is not sufficiently the case today. Part of the reason lies in different cultural traditions. We need to recognise that Europe has everything to gain from increased cooperation. By working together, complementing each other's roles, European universities and business could jointly put Europe in the forefront of global competition. This is why BUSINESSEUROPE has always strongly supported the University-Business Forum.