

30 May 2019

FICIL's Position Paper on Higher Education Policy

1. Executive Summary

Latvia aims to become an innovation driven society, which also demands a strong knowledge ecosystem based on excellent education and competitive research.

Given this ambition, FICIL has focused its efforts on outlining some of the obstacles within the Education sector in Latvia, namely: the difficulty to attract research and teaching talent, the mismatch between education and job market demand, the emigration of talent, fragmentation of resources, a non-competitive model of governance, the lack of advancement in the quality of higher education and research. The government has initiated reforms in several of the areas highlighted in previous years and FICIL praises these efforts. However, there are still fundamental changes necessary, for example in the Higher Education System. Though there are “islands of excellence” and well-intentioned initiatives, FICIL members perceive that the current Higher Education System is largely self-centred and is showing clear signals of stagnation.

FICIL appreciates the willingness of the current Government to advance Latvian universities in the international rankings, however this ambition can become reality only if bold decisions are made concerning the level of funding of the Higher Education system, the quality of governance of universities and colleges, and consolidation of higher education institutions.

FICIL believes that changes to the governance model in higher education institutions is an important pre-condition that can act as a catalyst for further improvements in the education system. The current system undermines possibilities of designing and implementing ambitious strategic goals because it halts the basic conditions of good governance: accountability and transparency.

Our recommendations are structured in three blocks: internationalisation, inter-cooperation and individualisation. A proper governance system in each institution would leave more autonomy to the higher education institutions regarding the implementation of said initiatives and other objectives that might be deemed relevant.

2. Recommendations

1. Internationalisation

1.1. Internationalisation should be revisited considering Latvia's long-term strategy. In this sense, more special funding programs beyond EU funds could be allocated for attraction of outstanding international students and faculty.

1.2. Design and implementation of a monitoring system aligned with the criteria set up in international rankings.

1.3. Revisit the understanding of the current language requirements for elected positions in higher educational institutions in order to facilitate their internationalisation.

1.4. Create the right conditions for the integration of the international students into the Latvian society and job market.

2. Inter-cooperation

2.1. Engage external stakeholders in the governance of HEI according to our proposal (Annex 1) and the recommendations of the World Bank in order to facilitate accountability, transparency and provide strategic relevance.

2.2. Increase the funding of the Higher Education System (including research) seeking the full implementation of the three-pillar model. Proper financial incentives should be in place for those institutions ready to modernise their governance systems and to consolidate with other institutions.

2.3. Undertake an action plan for reviewing and changing the "HEIs Law (*Augstskolu Likums*)" considering the findings of the current audit of the State Audit Office, recommendations of the World Bank and the need to integrate improved research and teaching. There is a need for a "HEI and Science Law" (*Augstskolu un Zinātnes Likums*) that facilitates the conditions for both teaching and research activities.

2.4. Motivate HEIs to develop more flexible management procedures for professional programs' design, execution and upgrade in order to facilitate interaction with the labour market. Universities should be requested to facilitate creation of ecosystems of exchange and cooperation between science and business departments.

2.5. Supervise the implementation of the new accreditation/licensing system with the objectives of increasing its relevance, encouraging inter-institutional cooperation, properly financing the study programs, enhancing cooperation with business and encouraging academic excellence. If the new governance system is implemented, Latvia should seriously consider the transition from program accreditation to institutional accreditation.

2.6. Increase the allocation of funding in areas of education and research that match the long-term trends of the job market, particularly for sectors with high value added like ICT.

3. Individualisation

3.1. Carry out an independent and comprehensive assessment on retention of students and graduation in all levels of the educational system, as well as look into the causes of dropout rates of students.

3.2. Support further increase of the enrolment of pupils in professional schools facilitating the integration of the educational process with the job market and offering career advisory services to parents and pupils in the 9th form.

3.3. Complete the introduction of 21st century competences' development content through an orderly and well-communicated implementation of "skola2030" project.

3.4. Establish a special funding position, independent of EU funds, for top potential Latvian faculty, researchers, students and pupils, and support them with individual assistance from experts and leading faculty.

3. Rationale for recommendations

1. Future demographics of Latvia show that the decline in number of people will continue, which will further affect the education system (less students and teaching staff). We see a close connection between internationalisation of the higher education institutions and international competitiveness. Facilitation of openness of higher education for the international society and the exchange of know-how should be set as a priority of the higher education system development. The quality of the higher education is closely linked to qualifications and research experience of academic personnel, which, due to the lack of sufficient funding, keeps deteriorating.

2. Latvian Higher Education System is too fragmented, which can be seen in the progressive disproportion each year between fewer students and number of universities and study programs. The HEI's fragmentation leads to further fragmentation of resources, undeveloped resource sharing and duplicated study programs with unclear study objectives and results. The accreditation system of HEIs programs is not perceived currently as a guarantee of quality by prospective students and employers. HEIs are providing professional and academic programs with similar governance and accreditation procedures. Academic and professional education requires different approaches and structures for managing and assuring quality. There is a disproportion between the supply of study programs in universities/colleges and the demand of the labour market.

3. There is empirical evidence that the return on investment in the Latvia's Higher Education System might not be satisfactory. For example:

1. OECD 2018 report on Latvian education indicates that Latvia has one of the lowest returns in tertiary education among OECD countries (figure A5.3 of OECD 2018 report).
2. The State Audit Office 2017 report indicates that Latvia has the highest number of institutions per inhabitants in our region. (1 HEI per 34,543 inhabitants compared to Estonia where there is 1 HEI per 62,664 inhabitants)
3. The latest publications of two of the most relevant international rankings (THE and QS) position our two leading universities at the very bottom of the top 1000, way behind other leading regional universities.
4. According to a 2017 report of the European University Association, Latvia has one of the largest drops in student enrolment (more than 20%) in Europe between 2008 and 2016.
5. According to the Ministry of Economics (see MECOM presentation at Saeima's Commission of Education on 5 March):
 - 5.1. The current higher educational system doesn't satisfy the job market demand particularly in the STEM area
 - 5.2. 23% of inhabitants with Higher Education degrees work in lower skills jobs
Most of the sectors that make up "an innovation-driven society" are lagging behind in terms of productivity, like ICT.
6. According to the World Economic Forum 2018 report, Latvia is lagging behind Estonia and Lithuania, showing a relatively poor performance on key factors:
 - 6.1. innovation capability: 52th position of 140 countries
 - 6.2. easy of finding skilled employees: 97th
 - 6.3. quality of vocational training: 82nd
 - 6.4. scientific publications and quality of research institutions: 79th

Recommendation for Improving Governance in Latvian Universities

As indicated in the position paper, there is a mismatch between the ambition of the Latvian society on building an innovation-based economy and the current status of the higher education and research system in Latvia. FICIL does recognize many different issues facing the higher education system today, one of the biggest being lack of funding. FICIL believes that improvements in the governance model of higher education institutions could trigger other positive developments.

The State Audit Office published a report in December 2017 with specific facts and recommendations, which triggered the public discussion on the lack of excellence in the quality of governance of the Higher Educational system and players. This report was followed by the publication of the commissioned reports on higher education by the World Bank in 2018. Further, in 2018 the European University Association published a report that included information on how the Latvian governance system was lagging behind to its European competitors. Since then FICIL has been vocal in moving forward the agenda of governance reform.

The core of FICIL's proposal in governance reform is the advancement of accountability and transparency in the management of Higher Education Institutions through the engagement of external stakeholders in the decision-making process of universities and colleges. There is an imperative need to separate the executive and decision-making powers at HEI's. The current system of advisory boards doesn't satisfy the best European practices in this matter. Latvia is the only country in Europe where external members cannot hold formal positions of responsibility in the governance of universities and colleges.

We agree that the government should consider an increase in the level of funding towards universities and other HEIs. However, we would be ready to support this increase only if we can be sure that the resources will be administered with more efficiency, transparency and with a sustainable model.

Recommendations

1. Repeal and replace the law of HE (*Augstskolu likums*) during 13th Saeima's mandate, which would envision a system of higher of education that becomes internationally competitive, quality-oriented and student-centred.
2. Offer to universities and colleges adoption of a board-type body that will replace the current advisory boards upon specific recommendations drafted by the Ministry of Education by 1st October 2019. We suggest considering:
 - a) This board should be tasked with strategic oversight, budget approval and rector appointment.
 - b) The composition of the board should ensure independence, professionalism and connection with the job market. In this sense, we suggest reviewing the regulations currently used for the appointment of council members in state-owned enterprises and the recommendations issued on this regard by OECD.

- c) Financial incentives should be offered to those universities and colleges that adopt this new system and the continuity of these incentives should be tied to specific performance targets. A pilot-project of the new governance model could be implemented in one of the regional universities.
- d) The senate of each of this institution should keep responsibility upon academic affairs if they are in alignment with the strategy designed by the new board.

Rationale for recommendations

1. We understand that a new Higher education law can facilitate the revision and enhancement of an inspiring vision for the whole system, can support the international ambitions of different universities, and can guarantee the legal framework for creating a system that is governed with transparency and accountability.
2. The immediate introduction of the new model of governance will provide a clear division between decision-making and executive roles, facilitate the efforts of the Ministry of Education and the rectors to improve accountability and create more sustainable development plans as the current EU funds programs come to an end.
3. The introduction of the new model of governance will enhance the connection with the job market, the validation of the academic strategy of the universities and will support the consolidation efforts of programs and institutions given that more professionals with business experience will join the management of the universities.
4. The implementation of these recommendations follows also similar examples of leading institutions as: Tartu University, Aalto University, and European School of Management and Technology and many others.
5. The incorporation of the board can become an important instrument to fix some of the most essential deficiencies found by the State Audit Office's report: lack of monitoring of the institutions, lack of efficiency in the management of funding, difficulties for the engagement of talented academic and research experts, available funding per student and excessive number of institutions.
6. Finally, the board can better fulfil some of the functions that currently are supposed to be exercised by the AIP (*Augstākās Izglītības Padome*), particularly the validation of the number of state-funded study places based on the forecasts about the future market needs. Moreover, the curriculum for programs with state-funded study places has to be constantly updated to match the ever-changing environment.