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Three Key Challenges Facing Higher Education and Policymakers

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The application of knowledge is now widely acknowledged as being the source of social, economic and political power. Studies repeatedly show the strong correlation between educational attainment and social and economic advantages for individuals and society. Over the last decades, access to higher education has expanded from being a privilege of birth or talent or both (elite phase), to a right for those with certain qualifications (mass phase), to being an obligation for the vast majority of society and occupations (universal). However, the financial crisis has exposed fundamental weaknesses in the funding model that underpins higher education.

The impact of the financial troubles in California on its public university system is symptomatic of problems around the world. Whether funded from public or private sources, escalating costs and tuition fees have prompted The Economist to suggest that higher education could be the next bubble (Schumpeter, 19 April 2011). At the same time, higher education faces increasing competition from China and India. What is the best way to sustain mass higher education at a time of decreasing public funding and escalating global competitiveness? Can tuition fees continue to rise—and what are the implications for widening access to a more diverse student cohort? Are there new business models or financial instruments more appropriate to the new environment? What regulatory and governance frameworks would work best?