The Shadow of the Future: A Framework for Reform in Higher Education

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Received: 25 December 2023 / Accepted: 25 February 2024 / Published: 23 April 2024

Doi: 10.56345/ijrdv11n1s126

Abstract

The vast majority of professions practiced a century ago no longer exist, having been supplanted by robotics and other technological advancements. The Global Technology Network posits that the acceleration of technological unemployment is likely to emerge as one of the most challenging societal issues of the twenty-first century. While 'creative destruction', wherein obsolete job roles are replaced by new ones, will play a significant role, our latest technologies possess the potential to eliminate more jobs than they generate. Given the geometric progression of technological advancements, robotics, artificial intelligence, 3D printing, and other disruptive innovations are poised to significantly impact conventional professions in the labor market imminently. Billions of individuals worldwide are currently employed in industries likely to be affected, and billions more entering the workforce will require employment. Higher Education (HE) is confronted with dual challenges in this process: on one hand, it needs to align its entire knowledge production chain with these dynamic requirements to ensure its outputs remain relevant; on the other hand, it must undergo self-transformation to maintain its significance in the production of both technical and non-technical knowledge. This research endeavors to pinpoint Albania's position within these global trends and explores how HE in Albania can adapt without undergoing a catastrophic shock. We advocate for a fundamental overhaul of the higher education system, focusing on transforming the relationship between the state and higher education institutions. Starting from the premise that the socialist experiment with the university system has failed, we propose the outline of a potential reform that reimagines the role of stakeholders. The efficient utilization of new technologies could facilitate this transformation.

Keywords: *Technological Unemployment, Work Transformation, Higher Education System, Higher Education Reform*

1. Introduction

Higher Education (HE) is under constant pressure to evolve. Research indicates that the majority of Higher Education Systems (HES) have undergone transformative changes or significant modifications affecting governance and financing mechanisms (B. R. Clark, 1983; Cohen & Kisker, 2010; Puvot & Estermann, 2017; Shattock, 2014). The drivers for these shifts are diverse, ranging from the need for increased efficiency and competitiveness to financial resource constraints and significant digital domain alterations. Among the most critical factors is the paradigm shift driven by the rapid development of advanced technology, particularly in information technology components. Universities, within the context of the information society, generally view this as an opportunity to diversify their offerings and pedagogical mechanisms. However, another element poses a real challenge to universities. The advancement of the so-called 'fourth industrial revolution' is fundamentally transforming human society, especially 'work'. The survival of universities as key actors in 'cognitive capitalism' depends largely on how higher education institutions self-transform to remain primary producers of human capital for the 21st century. To address this challenge, scholars believe that universities must revisit their relationship with critical thinking, creativity, and innovation – encouraging openness and networking in a society where

technology is also causing ontological transformations (Peters, 2017; Peters et al., 2019; Peters & Jandrić, 2019).

At this intersection between Higher Education and Technology, we question whether HE in Albania is prepared to withstand this challenge while simultaneously embracing the opportunities presented by such significant transformations as mentioned above. We observe that HE in Albania is unprepared for both the shocking challenge posed by technological transformation and the opportunities it presents for revitalization. This necessitates an urgent need for reforming HE in Albania, at systemic, sectoral, and institutional levels.

This study aligns with the tradition of 'normative assessment' and the examination of public policy effectiveness within a specific sphere; from this perspective, it is situated within the qualitative methodology of examining a particular case study. Stephen Van Evera (1997) regards this research tradition as scientifically legitimate since the assessment of a public policy and the formulation of normative proposals are grounded in evaluating and 'predicting the impact of policies'. These predictions are inherently based on implicit or explicit theoretical assumptions about the laws of political and social development (S.V. Evera 1997, 91). The work of normative assessment focuses on evaluating a specific public policy and formulating normative proposals, specifically in this case, on public policy concerning higher education.

The article is structured into four sections. The first section provides a descriptive analysis of the Fourth Industrial Revolution as an ongoing development, the full implications of which are yet to be fully manifested. Specifically, it focuses on the anticipated impact on work and the transformation of professions. Despite the traditional conception of work remaining significant in the near future, scientific findings suggest that approximately 50 to 60 percent of existing professions in post-industrial developed countries are likely to become obsolete in the coming decade.

Furthermore, the relationship between Higher Education and Technology is examined. Scholars in the field have observed that technology exerts both internal and external influences on the university. Internally, universities view technology as an opportunity to seize for transforming teaching models, diversifying pedagogical mechanisms and instruments, and broadening their portfolio of offerings. Externally, the challenge posed by the fourth technological revolution, expected to transform the professional landscape for which universities provide education and training, presents a profound shock to Higher Education Institutions (HEIs), risking obsolescence if they do not respond appropriately.

In the second section, we focus on the examination of the main reform trends in Higher Education Systems (HES) within the European Higher Education Area and the United States. It is noted that a fundamental concern is the rising cost of higher education and the limited level of financial resources available to meet the challenges of the 21st century in HE. The reforms tend to predominantly aim at strengthening the role of boards and managerial leadership in the governance of universities.

In the third section, we analyze the state of HE in Albania and how Higher Education Institutions (HEIs) are adapting to the main developmental trends of cognitive capitalism. The concerns mentioned above are not reflected in Albania, neither at the sectoral nor at the institutional level (with the exception of efforts to institutionalize the use of digital tools under the pressure of the Covid-19 pandemic). We observe that the 2015 reform in HE not only failed to address old problems but also introduced new ones, especially the dualism in university administration. To efficiently respond to the challenges posed, the university needs to open up to the pressure and opportunities of society and the market in particular. This would necessitate a paradigmatic shift in the state's relationship with HE and in the governance and administration of HE at both systemic and institutional levels.

In the fourth section, we sketch a possible reform of HE in Albania based on several basic propositions – a reform that aligns with the main reform trends in the EHEA and the USA and that ends the failed socialist experiment with higher education in Albania. The reform suggests transforming the relationship between the state and higher education providers by positioning the state as a supporter, not a provider. This does not mean that the state should disengage from higher education; on the contrary, it recommends that the state shift its primary role from planner and commander to facilitator and regulator of quality, transparency, and competitiveness.

2. The Transformation of Work and the Impact on Higher Education

The convergence of developing technologies such as 3D printing, automation, digital services, and the Internet of Things (IoT) epitomizes the Fourth Industrial Revolution (4IR), merging the physical, digital, and biological realms (Schwab, 2015). This development, steering towards the Fifth Industrial Revolution, is poised to transform social structures and labor markets. According to a McKinsey report, 50% of current work activities are potentially automatable using existing technologies. Between 400 million and 800 million individuals globally could be displaced from their jobs by automation by 2030. This necessitates a professional categorization shift for up to 375 million people, who will need to acquire new

skills to adapt to the evolving work landscape. Despite these challenges, the same report suggests that economic growth, innovation, and investments could generate sufficient new job opportunities to offset the impacts of automation. This reflects the potential for dynamic adjustments in the labor market, akin to historical changes where technological advancements have led to the creation of new job types and the evolution of existing ones (McKinsey, 2017).

The World Economic Forum reinforces this view, emphasizing the importance of hybrid work models, digital engagement, and continuous skill development in response to the changing demands of the 21st-century workplace (The Future of Jobs Report, 2023). This shift towards Technology 5.0 prompts a critical reassessment of the future of Higher Education (HE) amid changes in the value production chain and workforce preparation. Universities, serving as hubs of innovation, are compelled to reevaluate their delivery methods, curricula, and educational model in light of disruptive innovations (Jules, 2017a, 2017b). The integration of Information and Communication Technology (ICT) in education calls for a new university model that transcends traditional boundaries. This evolution towards personalized, location-based, experiential, and flexible virtual learning aims to provide cost-effective and efficient learning outcomes. The rise of Massive Open Online Courses (MOOCs) and digital offerings increases access to education but also presents financial challenges for universities. The transition underscores the need for innovation and creativity in education, aligning with the evolving role of technology in our lives and urging national education systems to adapt to new governance models (Fevolden & Tømte, 2015; El-Azar & Nelson, 2020; Infosys, 2016).

3. Trends in Higher Education Reforms

Our interest in this section focuses on identifying and analyzing the fundamental reform trends in the governance and administration of Higher Education (HE) at both system and institutional levels, in response to pressures arising from the developments discussed in the preceding sections. A primary trend observed from the literature review is the reconceptualization of the state's role in higher education, marked by "a shift in priorities from the governance of educational systems to evaluation of those systems, with the state functioning primarily as an Evaluative State" (Straubhaar, 2017).

Governance in higher education can be analyzed on two levels:

i. System-level governance – This refers mainly to the state's role in relation to HE, highlighting a transition towards a more evaluative and regulatory approach rather than direct management. This trend suggests an increasing focus on accountability, quality assurance, and performance evaluation of HE institutions. The state aims to ensure that educational systems meet the evolving needs of society and the economy, facilitating adaptability and responsiveness within HE to global and local changes.

ii. Institutional-level governance – This pertains to the totality of institutions and their internal administrative practices. The trend here is towards greater autonomy and flexibility, enabling institutions to make decisions that best suit their unique circumstances, educational objectives, and stakeholder needs. However, this autonomy is accompanied by an increased emphasis on self-assessment, external review processes, and the adoption of international best practices. Institutions are encouraged to innovate in teaching, research, and community engagement, fostering environments that support critical thinking, creativity, and the integration of technological advancements.

3.1 Governance of Higher Education at the System Level

As T. D. Jules (2017) observes, the governance of the educational system is positioned at the intersection of a multitude of entities, actors, and institutions. The term 'education governance' is somewhat nebulous but is often "used to discuss the influence of actors and institutions on the structures and processes of education systems" and, more specifically, the state's role within the educational system. The general role of the state in educational policies and practices is undergoing transformation, as market mechanisms become the new orthodoxy. While this transformation has proceeded at a "glacial pace in some societies, in others it has dismantled state-centered mechanisms" (Jules, 2017a, p. 7). It is evident that activities of education governance - financing, property provisions, and regulation - now rely on collaborative innovation. "In short, the state is not the primary or sole actor in education governance" (ibid).

Ferlie et al. (2009) have identified three classic approaches to the complex relationship between the state and Higher Education:

i. i. The Humboldtian Model. According to the first approach, the state's role, if any, is to ensure the autonomy of Higher Education (or more precisely, science). The HE subsystem is characterized by a high degree of

autonomy and isolation from governmental direction despite dependency on public finances.

ii. ii. The Napoleonic Model. A second approach recognizes the state's significant role in mediating societal interests and directing the development of HE. The state is expected to guide scientific activities, command, and control them.

iii. iii. The Anglo-American Model. A third approach emphasizes the market's role in governing HE. Policymakers began to refer to teaching and research as more like goods than public goods while academic freedom is redefined, and the image of the scientist protected from the world in an ivory tower is condemned (Ferlie et al., 2008, p. 328). According to this conception, the student behaves as a consumer in the higher education market, and "such pressure would act as a useful incentive for higher quality and competition among HEIs would increase" (ibid).

This approach was inspired by significant changes in the conception of public service around the 1980s in Western Europe with the development of so-called New Public Management (NPM). NPM seeks to produce a smaller, more efficient, and results-oriented public sector. Clark (1998) observed that there was also a trend in the Higher Education (HE) sector to imitate the principles of NPM to create what he calls the entrepreneurial university. He focuses on five elements: (i) strengthening the managerial core, (ii) developing the university's peripheral functions, (iii) diversifying the funding base, (iv) stimulating the academic core, and (v) fostering an entrepreneurial culture (Burton R. Clark, 1998).

Barr and Crawford (2005) argue that "the days of central planning are over," asserting that a mass higher education system requires differentiation and greater reliance on markets. The underlying idea is that increased institutional autonomy will produce higher levels of quality, diversity, and efficiency because a more varied set of Higher Education Institutions (HEIs) will better respond to student demands and societal needs (Barr, N., & Crawford, 2005). From the literature review, we identify as a fundamental trend the emergence of "a hybrid form of education governance that employs business and market techniques to reform strategies within the education sector" (Tavis D. Jules & Jefferson, 2017). This shift is sometimes described as a disengagement of the state, but it more accurately reflects a new form of state engagement with HE. This is because universities are increasingly identified as "key actors" (as disseminators of knowledge, research producers, and innovation drivers) in "knowledge societies," European governments have never been as attentive to Information Technology (IT) and scientific research as they are today (Ferlie et al., 2009, p. 9). In this new landscape, "networks and partnerships replace command and hierarchical control" (Mok, 2005). This trend is accompanied by the state shifting to a more indirect role in HE, focusing more on monitoring and ensuring the quality of HE. This is why the state is increasingly referred to as the evaluative state (Jules, 2017b; Straubhaar, 2017).

In the context of these developments, the creation of a network of autonomous public agencies focusing on establishing standards and monitoring their fulfillment has been noted. A recent example is the establishment of the Office for Students with changes in the Higher Education Act in 2017. Another trend is the promotion of horizontal governance, often referred to as collaborative governance (Ansell & Gash, 2008), where a network of institutions creates efficient governance based on the principles of joint governance (Taylor, 2013). On the other hand, there is an expectation for increased accountability and transparency from universities (Jongbloed et al., 2018).[1]

[1] *For a more comprehensive overview of developments in the governance of the Higher Education System, the following references provide valuable insights into various aspects of governance models, challenges, and trends within the global higher education landscape:*

Christensen, T. (2011) discusses the interplay between political governance and higher education policies, providing an analysis of how political decisions impact university governance.

Donina, D., & Hasanefendic, S. (2018) explore the diversity in governance models across different countries and how these models adapt to changing educational and societal needs.

Estermann, T., & Kupriyanova, V. (2018) offer a detailed examination of autonomy and accountability in European universities, highlighting the balance between institutional freedom and external oversight.

Ferlie, E., et al. (2008, 2009) delve into the implications of New Public Management principles on higher education, analyzing the shift towards market-oriented governance models.

Han, S., & Xu, H. (2019) provide insights into governance reforms in Asian universities, with a focus on the balance between state control and institutional autonomy.

Kováts, G. (2018) investigates the governance structures of Central and Eastern European universities, examining the post-socialist transformation of higher education governance.

Këiek, B. (2014) discusses the governance challenges faced by universities in the context of globalization, with a focus on ensuring academic quality and institutional competitiveness.

3.2 Higher Education governance at institutional level

There exists a diversity of university governance models and their relationships with external institutions. Broadly, two main governance models are observed:

- Unitary (unicameral) governance models refer to governance structures where a single governing body exercises decision-making powers within a designated university.
- Dual (bicameral) governance models are characterized by governance through two structures, typically a senate-like body and a board-like body that share decision-making competencies.

The latter is further differentiated based on the distribution of power, between:

- The "traditional" model is based on a division of competencies, where each body typically has a distinct, yet equally important, portfolio of responsibilities. The senate-like body is usually charged with academic affairs, while the board-like body tends to oversee strategic supervision and budget allocation.
- The "asymmetric" model includes senate-like and board-like bodies, but with a different dynamic of competencies where one body occupies a significantly more central position in the decision-making process. (Pruvot & Estermann, 2017; 2018)

These models reflect varying approaches to balancing academic governance with administrative and strategic oversight within universities. The traditional model aims to maintain a clear separation between the academic and administrative spheres, ensuring that both academic integrity and strategic efficiency are preserved. On the other hand, the asymmetric model may be more adaptive to the contemporary educational landscape, potentially enhancing the institution's ability to respond swiftly to external challenges and opportunities. This model may prioritize strategic decision-making and resource allocation in a manner that places significant authority in the hands of a central administrative body, possibly at the expense of the traditional academic governance structures.

Pruvot and Estermann, in their report on university autonomy in Europe, note that most systems employ dual governance models where decision-making power is concentrated in one of the 'chambers'. From the sample studied (the majority of higher education systems in Europe), two-thirds (15 systems) have power concentrated either solely in one body (unitary model) or in one of the bodies (either Senate or Board) while the other entity has a more marginal/limited scope for decision-making (asymmetric dual model). They further observe that "board-type bodies are twice as often found to be equipped with decision-making power compared to senate-type bodies" (Pruvot & Estermann, 2018, p. 626). Another important element in university governance is the selection/appointment of the rector/president. The procedures for selecting executive leadership vary from country to country. Four common models are:

i. Elected by an electoral body, which is usually broad, representing (directly or indirectly) different groups of the university community (academic staff, administrative staff, students), whose votes may be weighted.
ii. Elected by the governing body, which is democratically elected within the university community (usually the senate, i.e., the body that decides on academic matters).
iii. Appointed by the university council/board (i.e., the governing body that decides on strategic issues).
iv. Appointed through a two-step process involving both the senate and the council/board (Pruvot & Estermann, 2017, p. 16).

The dual chamber system (board/senate) found in European countries' practices varies according to the distribution of power between the governing chambers. It's important not to confuse this system with the duality in executive leadership, a model implemented in Albania with the 2015 reform. A similar model is found only in Hungary, implemented in 2013, where the appointment of chancellors led to a new configuration of leadership "where an institution has two executive heads of equal rank with complementary duties. While the rector is responsible for strategy and academic matters, the chancellor is responsible for the budget and administration" (Kováts, 2018, p. 661). Such cases of leadership dualism are rare and contradict a basic principle such as that of unity of command (Fayol, 1930).

Marshall, S. (2018) examines the role of leadership and management in university governance, emphasizing the importance of strategic vision and effective decision-making.
Pruvot, E.B., & Estermann, T. (2017) provide a comprehensive analysis of funding, autonomy, and governance trends in European higher education, highlighting the challenges of financial sustainability and strategic planning.
Straubhaar, R. (2017) offers a critique of the impact of neoliberal policies on higher education governance, focusing on the tensions between market forces and educational values.
Tapper, T. (2013) explores the historical development of university governance models, providing a contextual understanding of current governance debates and reforms.

3.3 Financing of Higher Education

Higher Education is widely regarded as a service with a positive impact on society as a whole, not just on the individual recipients of the service. For this reason, the Higher Education sector is generally funded by public money, although there are considerable differences regarding the extent and modes of government funding. Financial resources for publicly supported Higher Education Institutions (HEIs) come from three sources: (i) governments (or taxpayers) through grants voted by the legislature (also known as core funding, general allocation); (ii) students through tuition fees; and (iii) other entities (such as public and private organizations) through projects, contracts, auxiliary operations generating revenues, and donations. "Differentiating income sources and taking more funds from students represent a political choice" (Jongbloed & Vossensteyn, 2016, p. 577). Continental European countries continue to support HE mainly with public funding, while in the UK and the USA, students are burdened with sharing the cost with the state or other actors. Models for public funding of HEIs vary across countries. Most countries use funding formulas that link the core grant an HEI receives from its funding authority (a ministry or funding council) to input indicators such as student registrations (Jongbloed & Vossensteyn, 2016). Based on the principle that what gets measured gets managed, many countries have applied performance measures in the allocation of HE funding. Performance-Based Funding (PBF) was adopted with the belief that it would increase the level of performance, quality, and efficiency from HEIs (Jongbloed & Vossensteyn, 2016; Kivist & Kohtam, 2016; Spooner, 2019). Performance Contracts represent a new management approach, with a contract model replacing state supervision. Contracts are "individualized" agreements, embedded in a clear accountability context, allowing governments to direct specific societal objectives. "This can be understood as the next advanced phase in New Public Management." Performance-based funding is often cited as an example of a new regulatory policy instrument (Ben Jongbloed, Frans Kaiser & Ëesterheijden, 2018; de Boer, H., Jongbloed, B., 2015; Jongbloed & Vossensteyn, 2001, 2016). In conclusion, a trend can be discerned towards diversifying the financial resources of the university with a particular emphasis on increasing the student's burden in covering the cost of university studies. This approach to financing reflects broader shifts towards market-oriented governance in higher education, emphasizing efficiency, accountability, and performance outcomes. However, it also raises concerns about access and equity in higher education, particularly for students from less affluent backgrounds. The balance between public investment and individual contribution remains a critical issue in the ongoing debate about the funding and sustainability of higher education systems.

3.4 University Mergers

Enrico Moretti, in "The New Geography of Jobs," found that cities with a high percentage of skilled workers offer high wages not only because they have many residents with university degrees and these residents earn high wages - which would be interesting but not surprising - but because the impact is broader than that. The education level of a worker "affects not only his wage but the entire community around him." Moretti argues that when similar industries linked in the value production chain cluster together, the potential for development is greater than when they are fragmented (Moretti, 2012, p. 15). The merger of universities - in various forms - is one of the significant trends in the European Higher Education Area. The European University Association noted that between 2000 and 2019 there was considerable merger activity of universities of different sizes throughout the period and across a wide range of countries (EUA, 2019). EUA examines 129 cases of mergers in 22 European countries where most mergers involve two institutions. Although universities in the USA are mostly organized into systems, the merger of different HEIs has become a trend following the economic crisis of 2008. The aim is to maximize the utilization of resources from different campuses by increasing efficiency in the administration of universities (Azziz, 2019; Martin, 2017). Thomas Estermann, Director for Governance, Funding, and Public Policy at the European University Association (EUA), highlights several key reasons for university mergers:

- Consolidating talents and academic infrastructure to enhance quality and encourage interdisciplinary research. Mergers enable the pooling of academic expertise and resources, creating opportunities for breakthroughs that may not have been possible within smaller, isolated institutions.
- Restructuring human and other resources to increase efficiency. By consolidating administrative functions and academic departments, universities can eliminate redundancies, streamline operations, and allocate resources more effectively, leading to better management of finances and human capital.
- Increasing the number of staff and students to give mega-universities more influence. Larger institutions often have a greater capacity to influence policy, attract funding, and play a leading role in shaping the direction of

higher education and research on both national and international stages.

- Overcoming fragmentation; avoiding overlaps and merging universities and research centers to meet societal needs. Mergers can help institutions adapt more rapidly to the changing demands of society and the economy, ensuring that academic programs and research activities are aligned with current and future challenges.
- Addressing the demographic decline of young people. In many regions, declining birth rates are leading to a reduced pool of potential students. Mergers can create more attractive and competitive institutions capable of drawing students from a broader geographic area.
- Strengthening the profile and global reputation by increasing size and developing strong disciplines and international cooperation. Larger institutions with a wide range of academic offerings and strong international connections are more likely to attract top-tier faculty, secure competitive research grants, and draw students from around the world, enhancing their global standing and impact.

3.5 Student Admission in HEIs

Researchers predict that in the coming years, there will be an increased demand for more qualified individuals. This explains the attractiveness of universities and the fact that in recent decades, there has been a significant increase in university admissions. In 21st-century society, the ability to access and succeed in higher education is perceived as essential for social mobility and economic security. "University admission systems have the task of selecting those who have the potential to succeed in higher education" (Orr, Usher, Atherton, Cezar, et al., 2017). Admission to universities is a process with two important phases: (i) the pre-entry period - which includes the nature of the primary and secondary schooling system, and (ii) the transition to higher education - the application and entry process. Consequently, the HEI admission system is defined by two fundamental questions:

- Do all streams lead to some form of admission in Higher Education?
- Do HEIs have autonomy to select their students?

Based on the answers to these questions, a study commissioned by the European Commission classifies at least four models of admission in HE in the European countries examined:

1. **School-Based Selection Model:** This model operates on the principle that the pre-university education system plays a crucial role in determining university eligibility. It's characterized by a direct link between secondary education achievements and university admissions, suggesting that not all educational paths through high school may lead to eligibility for higher education. Ten countries adopting this model place a significant emphasis on the outcomes of secondary education as a determinant for university admission, underscoring the continuity between secondary and higher education sectors.
2. **HEI-Driven Selection Model:** Contrary to the school-based model, this approach minimizes the impact of pre-university education systems on university admissions, granting HEIs the autonomy to set their admission standards. In this model, universities employ a variety of additional criteria, such as entrance exams, interviews, or portfolios, to assess the suitability of candidates. Eight European countries have adopted this model, offering universities the flexibility to tailor their admission processes according to institutional priorities and course demands.
3. **Open Access Model:** This model is characterized by minimal restrictions on student admissions from both the schooling system and HEIs. It aims to maximize accessibility to higher education, offering greater opportunities for enrollment. While this model is praised for promoting equal access to higher education, concerns have been raised regarding the impact on graduate quality. This approach is utilized by eight countries, including Albania, and is noted for its emphasis on inclusivity, albeit with potential challenges in maintaining academic standards.
4. **Hybrid Selection Model:** A synthesis of the first two models, the hybrid selection model incorporates criteria from both the pre-university schooling system and HEIs in the admission process. This model is employed by nine countries and is recognized for effectively balancing the rigors of academic preparedness with institutional demands. By utilizing dual criteria, this model aims to enhance the efficiency of student completions and align student capabilities with university expectations. However, it also faces challenges in ensuring equitable access, particularly for students from less advantaged backgrounds, due to the potentially exclusionary effects of its selective nature (Orr, Usher, Atherton, Cezar, et al., 2017; Orr, Usher, Atherton, Haj Cezar, et al., 2017).

4. Trends in the Development of Higher Education in Albania

Albania is among the countries with the fastest growth in the Higher Education (HE) sector over recent decades. In 1990, Albania had only 14,000 students, in 2001 the number had increased to 42,160, and it reached a peak in 2013 with 172,585 students (INSTAT). The growth in the number of students from 1990 to 2013 is exponential, at 1100 percent, a growth rate unparalleled in other systems over such a short period. However, it is concerning that after 2014, there has been a continuous decline in the number of students (121,352, in 2023) due to demographic reasons related to the aging population and high emigration rates among this age group (INSTAT, 2023). If the trend continues, 10 years from now, Albania will have no more than 70,000 students.

Year	2013	2023	2033 (Forecast)
Pre-university	801,982	554,222	306,462
University	172,585	121,352	70,000

This Table showcases the number of students in the pre-university and university systems for the years 2013, 2023, and a forecast for 2033.

The Albanian Higher Education (HE) system comprises 41 Higher Education Institutions, of which 12 are public HEIs and 29 are non-public HEIs (ASCAL, 2020). With approximately 15 HEIs per one million inhabitants, Albania has nearly eight times more HEIs per capita than Germany. The relatively high percentage of students enrolled in private HEIs (about 30 percent) compared to other European countries' experiences indicates a significant feature of the Albanian HE landscape. The large number of HEIs for a relatively small student population suggests that the Higher Education System in Albania is still in flux and not yet fully consolidated. The rapid expansion of the HE sector "was not phased, examining them" and "this factor led to a decline, sometimes drastic, in quality, instead of bringing the expected improvement" (Arjan Gjonça et al, 2014, p. 12). To address these negative developments, the Albanian government undertook a reform in 2014-2015. "The aim of this reform is to build a quality system, giving the opportunity for a maximum number of students to pursue higher education, while simultaneously guaranteeing them the appropriate standard" (Arjan Gjonça et al, 2014, p. 18). Despite being fiercely contested among interest groups, the reform did not represent a strong shift from the previous system. The reform emphasized quality assurance, funding diversification, and increased competition among HEIs by committing to full autonomy expressed in its four forms: academic, financial, organizational, and personnel. The primary novelty of the proposed changes – approved by law in 2015 – relates to the institutional governance of the university. The system moved from unitary governance (senate) to dual governance (senate + management board). The reform commission found it necessary for each HEI to have a governance system "based on the principles of control and balance between academic governance (senate, rector, dean, and department) and financial-administrative governance (administrative board, HEI administrator, faculty administrator, department administrators)." The report further adds that "these two functions are respectively coordinated by the Senate and the Administrative Board" (Arjan Gjonça et al, 2014, p. 29). The report also suggests some changes in the way HE is funded by the state, placing it into two fundamental grants: (i) The Higher Education Development Policy Grant, distributed by the National Financing Agency (AKF) based on criteria determined by government priorities and the developmental capacities of each HEI; and (ii) The Teaching Grant that covers at least 60% of state funding in higher education and is divided into (a) the institutional fund and (b) the student support fund. The institutional fund – which constitutes the core part of the funding – is given to public HEIs, calculated based on the number of students in the first cycle of studies, the direction of study programs, and the number of academic staff. In terms of funding criteria, the reform does not introduce a paradigmatic change in the state funding model for HE.

Almost a decade after the approval of Law No. 80/2015 "On higher education and scientific research in higher education institutions in the Republic of Albania," the state of higher education in Albania has not reflected any substantial positive development. The 2015 reform was a missed opportunity for higher education in Albania; it not only failed to address longstanding issues but also introduced new problems. The fundamental issue that the 2015 reform was supposed to address was the relationship between the state and higher education. Public HEIs remained functionally, agencies of the Ministry of Education; administratively, non-transparent corporations, isolated from the flows of society and the market. Article 1 of the law characterizes higher education as a 'good and public responsibility'. The report on which the law is based considers it as "a public service and public good, regardless of the form of ownership" (Arjan Gjonça et al, 2014, p. 9). Following this statement, the law recognizes the state's "regulatory functions and creation of

public higher education institutions, as well as financing higher education and scientific research (Article 5, item 1). The term 'public good' is used interchangeably with 'public service' and 'public responsibility'. In fact, the semiotic confusion produced by these terms brings significant implications regarding the state's role in higher education. A public good is a well-defined economic term. It is such if it meets two conditions: a) it is non-excludable and b) it is non-rivalrous. It is non-excludable if, once produced, the producer cannot prevent people from consuming that good. It is non-rivalrous because it can be enjoyed by many consumers at the same time, and the entry of an additional consumer does not affect the degree to which other consumers can enjoy that good. Higher education does not meet any of the above conditions to be considered a public good. "It is excludable because universities can force students to pay fees. It can be rivalrous because one or two additional students in a lecture hall don't make a big difference, but if there is an increase in the scale of the number of students in a class, this has a significant impact on the quality of education" (Cooper, 2017)[2].

The 2015 reform specifically failed to address two fundamental problems in higher education (HE) in Albania: (i) the relationship of the state with higher education; (ii) the modalities of opening the university to the market and society as a whole. Due to the failure to address these two elements, the state of HE has not changed significantly. Despite the network of institutions created to ensure quality (a positive element of the 2015 reform), the performance of Albanian universities remains almost negligible. There are still no reliable metric models to measure the performance of universities, which would bring about their qualitative differentiation. Universities remain undifferentiated while the creation of research universities is still a far-off goal. The status of publications by Albanian academic staff in serious indexed scientific journals with impact factors is at low levels, while legal and financial incentives to stimulate publications are ineffective.

The level of university enrolments is declining, leading to a potential financial crisis for universities in the short term. Public funding for higher education in Albania is among the lowest in the Western Balkans region, averaging 3 percent over the last decade - the actual budget for 2018 was only 2.27% (MASR, 2019) – while countries in the region spend approximately 4 percent, and the average spending on higher education by EU countries is 5 percent of GDP. Direct expenditures on higher education and scientific research vary between 0.4-0.6% of GDP, compared to the OECD countries' average of 1-3%. In 2014, Albania spent about 500-600 euros per student, 4-5 times less than Romania and Bulgaria, or 8-10 times less than Portugal and Spain (Arjan Gjonça et al, 2014), and the situation has not improved since. The state budget for 2020 allocated a fund for scientific research at 0.03% of GDP, while even in the new EU countries, the budget for science is above 1% of GDP. The success rate of applications from Albanian universities for European Union funds is very low (National Strategy for Science, Technology, and Innovation 2017-2022, 2017). This observation concludes that the situation has not improved compared to 2015. The State Supreme Audit (2018) identified (i) limited services to students with many bureaucratic hurdles; (ii) a lack of performance measurement indicators for student services; (iii) low quality of services offered to students; (iv) tuition fees not set based on cost analysis and the socio-economic conditions of the country. The SSA notes that "the immediate consolidation of academic and financial autonomy of public HEIs remains" (SSA, 2018). Therefore, it is imperative that the higher education system undergoes a reform that would constitute a paradigmatic shift in the position of higher education in relation to the state and society, through a bipartisan consensus that would guarantee HEIs political independence and strategic stability.

5. Recommendations: Outline of a Reform for the HES in Albania

The socialist experiment with Higher Education in Albania has failed. The egalitarian principle of 'one size fits all' has transformed the university into an autistic, unproductive, inefficient, non-transparent, non-competitive organization – isolated from society and the market. The aim of the reform should be to provide quality, creative, innovative, and inclusive Public Higher Education service. The fundamental objective should aim at improving the academic offerings of HEIs through increased efficiency and competitiveness. This can only be achieved if the relationship between the

[2] *Labelled by Paul Samuelson in "Pure Theory of Public Expenditure" as a 'collective consumption good' (Samuelson, 1954, p. 387), this property differentiates the public good from other definitions, which saw it as any good provided by the public sector. (Musgrave, 1959). It is likely that when the legislator characterized higher education as such, it was taken into account that higher education has positive externalities, meaning it has a broader social impact than the benefit to the consumer (student). This is true, as experience shows that in cities with more university graduates, those without a university degree earn higher wages, all other factors being equal. (Moretti, 2012). The key point is that any social benefit provided by higher education is limited, meaning that government subsidies for education should also be limited. It is also worth mentioning the possibility that higher education may create negative externalities, such as credential inflation. (Crivellaro, 2014). For a more detailed discussion of HE as a public good or not, see: (Epple & Romano, 1996; Hensley et al., 2013; Holcombe, 1997, 2000; Smethurst, 1995; Williams, 2016).*

government and higher education is transformed, starting from the basic premise that higher education belongs neither to the government nor the academic community, but is a public asset. As such, in the governance of the system, all stakeholders should have access. In its implementation, care must be taken to preserve the delicate balance between accountability and autonomy through the creation of mechanisms that ensure the university's openness to the creative pressures of the market and society while preserving and promoting academic freedoms. The development of new digital technologies enables this transformation to be led by combining the best practices developed under the influence of New Public Management (NPM) and Network Governance (NG), aiming for collaborative governance at the system level and joint governance at the institutional level (Ansell & Gash, 2008; Ferlie et al., 2009; Taylor, 2013).

The reform should be characterized by fundamental changes in:

i. System Governance
ii. Governance of HEIs
iii. Funding of HEIs and Students
iv. Admission of Students to HE
v. Merging, Profiling and Internationalisation of Universities

5.1 System Governance

The current legal and institutional framework governing higher education at the system level places the Ministry of Education and its dependent agencies at the top of the institutional hierarchy, including the Educational Services Center (QSHA), the Quality Assurance Agency in Higher Education (ASCAL), the National Agency for Scientific Research and Innovation (AKKSHI), and the National Agency for Higher Education Financing (AKFAL). Despite the law's commitment to ensuring the autonomy of HEIs, the Ministry of Education, Sport, and Youth (MASR) has broad regulatory powers over universities down to details such as the format of the syllabus preparation. In terms of academic autonomy, HEIs cannot open or close study programs without approval from MASR. Universities do not have control over the number of academic staff, their salaries, and the extent of their rewards, although they are recognized as having the competence to recruit staff. Formally, the competence of student admissions is recognized to universities, but their role is formal since it is MASR that administers the process and sets the exclusionary criteria. In terms of financial autonomy, HEIs cannot determine tuition fees without government approval, while secondary funds can only be used within a restrictive framework. Universities enjoy autonomy in terms of internal governance, but even this is limited with the establishment of management boards and administrators.

Therefore, from a functional perspective, HEIs operate as agencies of the Ministry of Education, Sports and Youth (MASR), while due to the system of electing leaders, they administratively function as non-transparent 'islands'. Given the wide impact it has on society's development, higher education has a bipartisan nature; therefore, decision-making about it should have an inclusive nature that goes beyond political majorities. Precisely for this reason, the institutional architecture of the HE system needs to change to increase autonomy and promote accountability. Thus, policymakers should consider detaching HE from MASR, whose mission would focus on pre-university education. Referring to successful models from the USA, successfully applied by Ireland, Turkey, and many other countries, the legislature might consider delegating the governance of the HE system to the Authority for Higher Education (AHE) – a collegial authority composed of the Board for Higher Education (BHE) and the Commissioner for Higher Education (CHE). The Board could be elected by the Parliament, ensuring the representation of stakeholders. In this scheme, the Authority is the institution that directs the strategic development of Higher Education and research with the aim of creating a coherent system of various institutions with different missions, which responds to the social, cultural, and economic development of Albania in support of achieving national objectives. The Board should include distinguished representatives from the academic world, business, media, arts, and culture; personalities with special achievements at an international level. The members of the BHE should initially be elected for a differentiated term duration to ensure the continuity of good practices and ensure the representation of political majorities. The BHE, on the Prime Minister's proposal, should appoint the Commissioner for Higher Education, (following practices with a shortlist), who will be the executive authority for the governance of the higher education system. Under its dependency, there would be agencies that constitute the institutional architecture of the governance of the higher education system, except for the Higher Education Auditor (HEA), which could serve as a controller for how the Higher Education System fulfils the obligations defined in the legal framework. The Auditor could be placed near the BHE and should be an appointment by the Prime Minister at the HEA. Agencies under the Commissioner might include (i) the Agency for Quality Assurance in Higher Education, (ii) the Agency for Higher Education Funding, (iii) the Student Services Agency, (iv) the Agency for Funding Scientific Research and

Innovation. In establishing this institutional architecture, it is essential to ensure accountability through the quality assurance framework, performance-linked funding, inclusion of market mechanisms, and participation of external actors in governing bodies.

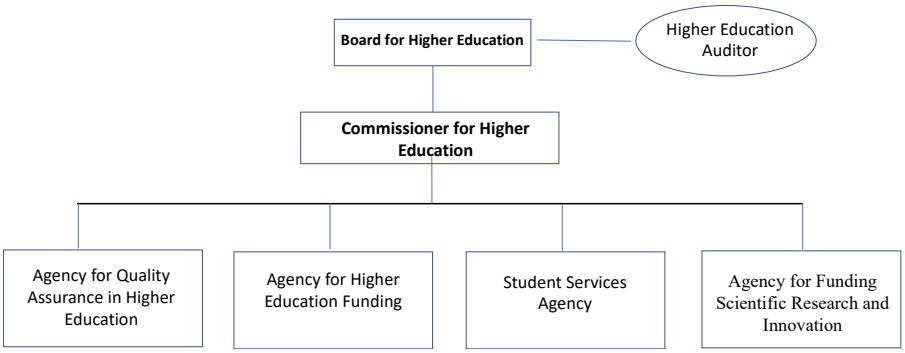

Figure 1. Institutional Architecture of Higher Education System Governance

5.2 Governance of Higher Education Institutions

Public Higher Education Institutions (HEIs) in Albania are characterized by the traditional dual (two-chamber) governing model, which is based on the separation of competencies, where each body has a distinct but equally important portfolio of responsibilities (see section 3.2). The Academic Senate is the highest authority for the academic direction of the HEI; the Management Board, as the highest administrative authority, is responsible for overseeing the administration of the HEI and the allocation of the budget. The Senate is composed of members of the academic community, elected by the respective faculty assemblies and chaired by the Rector. The Management Board (established under Law No. 80/2015) consists of 7 members who, depending on the financial context of the HEI (HEIs securing less than 50 percent of the budget from secondary revenues), 3 members are chosen from the HEI's internal staff and 4 external members are appointed according to the procedure provided in Law No. 80/2015. Only the University of Tirana secures more than 50 percent of the budget from secondary revenues; therefore, 4 members of the Management Board are elected from within the HEI while the other 3 members are external. Law No. 80/2015 also creates duality in executive management by creating two parallel lines of command-control within the HEI. The academic line led by the Rector (who answers to the Senate) and the administrative line led by the Administrator (who answers to the Management Board). To our knowledge, such a model is not found in any other country except Hungary. The legislator started from the premise of increasing transparency in the management of public funds by the HEIs, but this scheme of parallel bodies has not only failed to guarantee higher transparency (see section 4), but has increased internal institutional bureaucracy, significantly reducing the efficiency of the HEIs. The boards of the HEIs are populated with anonymous people (contrary to the spirit of the law), while there are no intermediate bodies that establish functional communication between the Senate and the board. Empirical studies show that academic performance and administrative performance are deeply interdependent; they are two sides of the same coin. Increased academic quality leads to better institutional management; good management leads to increased academic quality. The internal institutional architecture of HEIs should (i) guarantee autonomy (ii) create constructive conflict (check and balance) (iii) place bodies in permanent negotiations (iv) strengthen efficient executive leadership, all of which enable dynamic joint institutional governance. To achieve these, an institutional framework that follows international trends in the institutional governance of HE is required.

(i) Management Board with members elected by HEIs (academic community) and appointed by stakeholders (government, local community, business, civil society, etc.) according to an agreed scheme. Responsible for strategic direction and appointment of HEI executive leadership.
(ii) Academic Senate with members elected by the assembly of academic staff in HEI faculties. Responsible for the academic development dimension of the HEI.
(iii) President of the HEI (as the highest executive authority) who is elected by a 2/3 vote from the Board through a public announcement and according to a metric model for measuring capabilities. The President is assisted in his duties by deputies responsible for areas of HEI activity.

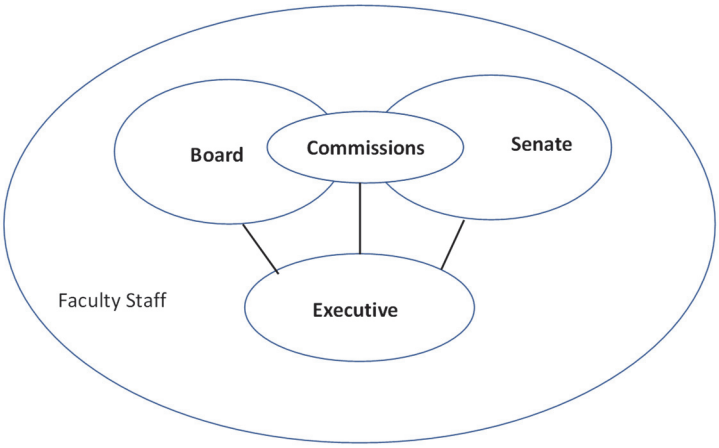

Figure 2: Shared Governance Model Adapted Taylor (2013)

5.3 Funding of Higher Education Institutions and Students

The funding of higher education in Albania relies on (i) state grants and (ii) student fees; and minimal revenues from other contractual activities. Secondary income in public HEIs accounts for a percentage of the university budget that fluctuates from 21 to 51 percent, with the rest of the expenses supported by the state budget (taxpayers). Limited financial resources are among the most constraining problems for the development of HE and related research activities. Significant improvement in the quality of HE is impossible if HE funding remains at the levels discussed above (see section 4). For HE in Albania to start becoming competitive, it needs at least a fivefold increase in funding. This would be an unbearable burden on the state budget. To face the challenge, higher education systems in OECD member countries have tried to diversify financial resources. There are three main trends at the international level: (i) restructuring of state funding; performance-based funding of HEIs has become widespread (ii) cost-sharing with students; student fees have been introduced in countries that did not apply them and have been increased in those countries where they were applied (iii) service contracts and grants from third parties; HEIs are increasingly becoming actors in the market to secure financial resources through research services (Jongbloed & Vossensteyn, 2016). We should consider the possibility of remodelling the HE funding system based on the principle 'performance is rewarded' by (a) increasing the efficiency of the use of public money through the improvement of fund allocation mechanisms (b) increasing the contribution of the direct beneficiaries of the service through student fees (c) creating facilities for increasing the contribution from third parties through rewarding fiscal incentives.

The current funding system allows for widespread inclusion of students in higher education but a priori excludes the possibility of enhancing academic quality through increased competition among institutions. The scheme favors the survival of a status quo that does not allow HE to develop and meet national objectives. The higher education funding system that we propose below is paradigmatically different from the current scheme. The premise we start from is cost-sharing. As we have argued above, education has the characteristics of both a public good and a private good, with direct beneficiaries being the students and a broad impact on the social environment. Since a considerable part of the benefits of higher education accrue to the students, it makes sense for students to be engaged in covering at least half of the cost. However, if higher education creates societal benefits beyond personal gains, then there is a significant argument for government subsidization of higher education. Under these conditions, the ideal solution would be for the government to subsidize 50 percent of the cost of higher education according to the scheme outlined below:

i. **Institutional Performance Grant (40% of Total Funding):** This grant targets the core operational and developmental aspects of Higher Education Institutions (HEIs). Distribution is based on a comprehensive performance agreement assessing both academic and administrative effectiveness. Key metrics include:

- Quality of teaching and learning outcomes.
- Research output and its impact.

- Student satisfaction and engagement.
- Efficiency and transparency in management and resource utilization.

ii. **Student Support Grant (40% of Total Funding):** Focused on directly assisting students, this grant is allocated through a dual criterion of merit and need, ensuring equitable access to higher education. Components include:

- Merit-based awards recognizing academic excellence, leadership, and community service, employing a broad and nuanced definition of merit that goes beyond academic scores.
- Need-based assistance targeting students from socio-economically disadvantaged backgrounds, ensuring that financial barriers do not impede access to or continuation of higher education.

iii. **Strategic Initiatives Grant (20% of Total Funding):** Dedicated to fostering areas of strategic importance and supporting programs that face market challenges but are crucial for the cultural, social, or economic development of the country. This includes:

- Support for programs in the liberal arts and other fields that may not directly align with market demands but enrich the academic and cultural fabric of society.
- Targeted funding for programs identified by the government or educational authorities as critical for addressing national priorities, innovation, and development needs.

Performance-Based Funding (PBF) is a targeted state financing mechanism directly tied to the achievements of public Higher Education Institutions (HEIs) relative to specific performance indicators. The relationship between funding and performance is automatic and based on predefined formulas. Funding authorities must explicitly incorporate data on teaching outcomes and scientific research into the formulas they use for distributing public funds among institutions.

Student funding is based on the principles of merit, need, and the inclusion of underrepresented groups (according to agreed-upon quotas). The Higher Education Authority, in collaboration with HEIs, determines the National Framework for Student Financing. The final level of funding is determined based on students' placement in the Knowledge Assessment Test. In accordance with defined criteria, a student has the right to enroll in the university of their choice (including private HEIs) (see section 5.4). If they qualify as a recipient of state funding, the Higher Education Authority is responsible for reimbursing the cost of studies at the respective HEI. Study funding can be partial or full, based on results in the Academic Skills Assessment Test, subject to reassessment based on academic performance during the study years. The National Framework for Student Financing also provides for the funding of students based on strategic national policies and those of marginalized groups excluded from the aforementioned qualitative criteria.

5.4 Admissions System - All roads lead to university

Albania features a liberal university admission system with minimal rejection rates for applications. Everyone who completes secondary education—regardless of its type—and meets government-defined criteria, has the right to apply for university admission. Government agencies determine students' national rankings based on high school examination results and corresponding coefficients. Students are entitled to apply to their preferred university and study program. The admission process is an interplay between the national ranking, quotas established by agreements between HEIs and the Ministry of Education, Sports and Youth (MASR) for specific universities and study programs, and criteria set by the universities themselves. Admissions are carried out in several phases until student preferences are exhausted, and quotas are filled. The registration process is tedious, stressful, and compressed into a very short timeframe, leaving students uncertain about their university and study program until the last moment before the academic year begins. This time-concentrated process negatively impacts the start of the academic year. Universities play a largely passive role in the admissions process, merely implementing some formal exclusion criteria.

However, it's noteworthy that the university admission model is significantly influenced by the characteristics of the higher education system itself. Albania urgently needs to increase the percentage of individuals with tertiary-level education as it remains below the regional average and far behind the average of European Union countries (see section 4). In this context, Albania should embrace the principle that "all roads lead to university," implying the removal of centralized barriers to admissions in higher education institutions and delegating admission responsibilities to HEIs themselves. The choice should rest between the student and the university. The state's obligation is to establish an objective and transparent ranking based on the aspiring students' capabilities. This list serves two purposes: (i) it aids the state in categorizing students eligible for financial assistance according to the previously described funding mechanism, and (ii) it enables universities to identify and invite potential students to apply much earlier. The list is generated through a

national academic skills assessment test, the Academic Skills Assessment Test, potentially conducted by the national testing center. To overcome professional limitations and mitigate distrust, its execution could be contracted to internationally reputable centers experienced in similar assessments. This approach would encourage students to contemplate their university choice well before completing their state high school exams and would prompt universities to enhance their student recruitment strategies and processes.

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