

Higher Education in a Financial Crisis

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1. Introduction

- The current financial crisis is not the only crisis facing European universities.
 - ✓ European decision-making has become more difficult - national interests have grown in importance relative to those of the EU as a whole
 - ✓ European level higher education and research policies resulted in a period of intense reforms over the past ten years but will this continue in the future?

2. Higher Education in Crisis

- All higher education systems face the challenge of designing sustainable funding models
- The impact of the economic crisis on HE systems in Europe is increasingly being felt

3. Major cuts in public funding

- EUA has been monitoring closely the situation in Europe since the onset of the crisis
- Countries have been affected very differently and their responses differ
- A continuum from massive cuts to massive investments

4. Public funding cuts: the diversity of Europe

- **Major cuts:** 20-50+% for Latvia, Greece, Italy & England
- **Cuts up to 10%:** Ireland, Estonia, Lithuania, Romania
- **Around 5%:** most other Eastern European countries
- **No direct cuts yet** in the Nordic countries, Poland Switzerland, Netherlands (but grants being cut)
- **Promises not kept:** Austria, Belgium, Hungary
- **Still investing:** France and Germany
- **Mixed messages:** more money & cuts - Portugal

5. Impact at system and institutional level

- Teaching much more affected than research (except in Austria, Spain and the Netherlands)
- Combination of growing student numbers and reduced spending is a major concern for the quality of European HE.
- EU2020 target fixed at 40% of the population to be HE graduates

Impact at system and institutional level (2)

- Changes in the nature of public funding:
 - ✓ More targeted research,
 - ✓ More competitive funding schemes & thus co-funding requirements
 - ✓ More emphasis on the STEM disciplines
 - ✓ More mergers, more international campuses
- Reductions in the number of academic and administrative staff and/or salary cuts & freezes;
- With knock on effects on class sizes, support infrastructure and services

6. Impact on Autonomy

- Thus, public funding is not only diminishing but changing in nature
- Often associated with more strings attached and growing accountability requirements,
- Hence are recent trends of governments steering at a distance being upturned? Will recent recent gains in autonomy be sustainable?

7. Private Funding

- Private funding sources are becoming increasingly important in allowing universities to diversify their income streams
- Key strategies & other income streams:
 - ✓ Private sector (research contracts, LLL)
 - ✓ Philanthropic funding
 - ✓ Services (Consultancy, room rental, libraries, museums)
 - ✓ Financial activities
 - ✓ International public bodies, especially EU funding

The results of the EUA EUDIS Project “European Universities diversifying Income Streams” show that overall these sources represent 10-20% of income

Private Funding :Student financial contributions

- The crisis has intensified public debate on student financial contributions
- Tuition fees are still a difficult topic across Europe – traditions and perceptions are very different & closely linked to the social system and taxation regimes
- The debate is rapidly evolving, e.g. fees increasingly levied for international, non EU students, and at master level

8. EUA - Principles for financial sustainability

- Conditional on ***reliable, sufficient public funding, and autonomy***
- Complementary funding sources, even combined, do not have the potential to replace sustainable public funding for teaching and research.
- Student financial contributions have a potential to bring significant resources into the system but highly contingent on the funding model chosen for each higher education system

EUA Principles (cont)

- ***The role of public authorities***: support to the 2% GDP target of investment in higher education proposed by the European Commission
- Strengthen university autonomy, e.g. universities need the freedom to constitute reserves & to decide on how to invest & use funds allocated
- Simplify funding rules & set up innovative support mechanisms
- Address the question of co-funding
- Support the implementation of full costing systems

EUA Principles (cont)

- ***The European level:*** funding programmes represent a significant source of funding for universities – thro' structural funds, the Research Framework Programme & the Lifelong Learning programme.
- For next round of EU Programmes post 2013, the EU should:
 - ✓ Improve funding modalities & opportunities for universities
 - ✓ Support leadership training and human resource development
 - ✓ Act as a platform for promoting dialogue & reform at national level

9. In conclusion: Open Questions for Discussion

- Do we currently have the policy frameworks and conditions needed to move forward?
 - ✓ The Lisbon strategy & the Bologna Process were overarching elements promoting reform & structuring the sector
- A growing emphasis on metrics: benchmarking, classifying & ranking:
 - ✓ Important, but not the answer and risky in a policy vacuum?
- With the pie getting smaller & competition growing, will resources go increasingly to a small number of HEIs?
 - ✓ What will be the fate of the sector as a whole - Emphasis on generating income rather than serving the public interest?