EUA
European University Association

STRONG UNIVERSITIES FOR EUROPE

The Balance of Responsibilites: University & Society in securing the financial sustainability of higher education

Lesley Wilson
Secretary General
European University Association (EUA)

UNICA RECTORS SEMINAR 2013

27-28 September 2013

Sofia University

Structure

- Introduction - The views of public authorities
- The challenges of financial sustainabilty for European universities
- The impact of the financial crisis – the results of EUA's 'Public Funding Observatory' (2013)
- Conclusions and Questions

I - The views of governments

- Ministers' views as expressed in the Bologna Communiqué 2012 – arguments over a short phrase ..
- Governments have increasing difficulties in matching the rising costs of science and providing the quality education and excellent reseach important for competitivity
- Governments are nevertheless the primary funding source for higher educaton institutions
- Strong call in many countries for increased private contribution to R&D and higher education – growth in costing-sharing policies in many countries
- The economic crisis makes it difficlt to prvide incentives and susbsidies capable of encouraging private investment

2- From a university perspective - Financial sustainability and the diversification of income stremas

- Three main pillars
- Universities must be able to to identify and better understand the costs of all their activities and projects – hence EUA's 'crusade' underlining the importance of full costing
- Universities must develop and maintain a reasonably diversified income structure to mitigate and manage risks and and enhance autonomy
- Universities need sufficient and sustainable public funding....amounts to almost ¾ of institutional budgets on average (2012)

2 - Main challenges

- Universities are highly vulnerable to changes in public funding
- Managing multiple funding streams remains a complex task
- Co-funding requirements are widening the funding gap – may be the most underestimated challenge to financial sustainability
- Eurepean funding schemes – among the most complex schemes available to universities
- In response to all of these full costing becomes an essential strategic and operational tool for managing institutions

3 - The impact of the financial crisis - the 2013 results of EUA's 'Public Funding Observatory'

- EUA has been monitoring the situation since 2008 with data collected by the National Rectors' Conferences = overall stability of calculation methodologies over several years
- Caveats: Data for 2013 is not available everywhere and care is required in interpreting raw data received (although calculation methodologies have not changed)
- Corroborates previous data collection rounds based on broader categories ***when taking into account***:
  - ✓ Inflation rates
  - ✓ Evolution of student numbers
  - … Which mitigate increases in absolute figures

Looking at the raw figures: 2013 trends

- **2013 worse than 2012**
  - ✓ Very significantly in Greece (close to -25%), Hungary (-19%) and Portugal (close to -10%) – downward trend for these countries over the entire period 2009-2013
  - ✓ Croatia also presents negative figures for 2013, after three years of modest increases
  - ✓ UK has a downward trend since 2011 due to radical change in funding system (special case)
- **2013 stable**
  - ✓ The Netherlands present a minor decrease in absolute figures, but in real terms the cut is much higher (inflation + increasing student numbers + lower indirect public funding)
  - ✓ Lithuania seems to be stabilising with a minor increase, and Belgium (fr) also shows a small increase for 2013.
- **2013 better than 2012**
  - ✓ Iceland (+23%) = indication of recovery? (student numbers up)
  - ✓ Austria, Czech Republic, Norway, Poland, Sweden (between +5 to +14%)

Evolution 2012-2013 (change not adjusted for inflation)	Country / system
10% increase and above	Austria, Iceland
Between 5 and 10% increase	Czech Republic, Norway, Poland, Sweden
Between 1 and 5% increase	Belgium (FR), France, Lithuania
Stable (from -1% to +1%)	Italy, Netherlands, Slovakia
Between 1 and 5% decrease	Croatia
Between 5 and 10% decrease	Portugal, UK (England and Wales)
Decrease superior to 10%	Greece, Hungary

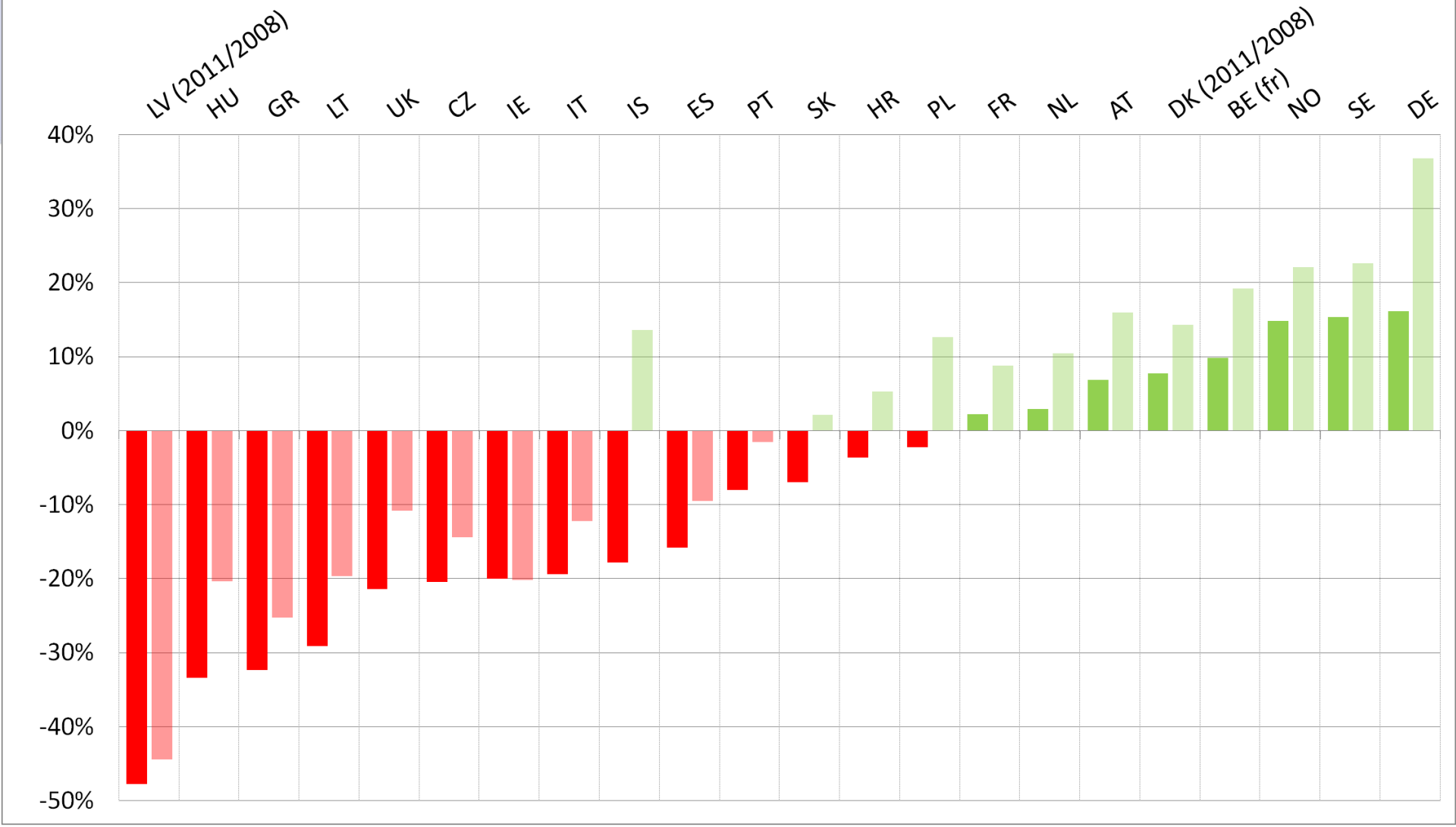
Impact per area for 2013

- General comment that all areas (teaching, research, staff, infrastructure) were impacted to some extent, often difficult to differentiate. Some remarks:
- **Research & teaching**
  - ✓ Cuts in Greece, expectations of further decline in Ireland
  - ✓ Deterioration of student/staff ratios
- **Staff**
  - ✓ Pay/benefits cuts and/or staff reductions (hiring freeze or restrictions) in Greece and Croatia, Ireland, Netherlands, Portugal, Spain
  - ✓ Exception: increase of salaries in Poland after freeze of several years
- **Infrastructures**
  - ✓ More often affected than other areas (notably Greece, Croatia, Hungary, Ireland, Spain)

The impact of inflation

Inflation over the period 2008-2012	Country / system
10% inflation and above	Iceland, Greece, Hungary, Lithuania, Poland, UK (England and Wales)
Between 5 and 10% inflation	Austria, Belgium, Croatia, Czech Republic, Denmark, France, Germany, Italy, Latvia, Netherlands, Norway, Portugal, Slovakia, Spain, Sweden
Less than 5% inflation	Ireland

Situation in 2012 compared with 2008, adjusted for inflation



Funding in relation to GDP

- **Funding to higher education as a percentage of GDP: comparison between 2008 and 2013**

  - ✓ 10 systems now **below** 2008 levels: Czech Republic, Greece, Hungary, Italy, Lithuania, Norway, Portugal, Slovakia, UK *(and Latvia if considering 2008-2011 in the absence of data for 2013)*

  - ✓ 8 systems **above** 2008 levels: Austria, Croatia, France, Iceland, Germany, The Netherlands, Poland and Sweden

  - ✓ But: different starting points!

Funding and student numbers

Evolution (2011 compared to 2008)	Country
Student numbers grew by more than 10%	AT, DE, DK, HR, IE, NL, PT, SE, *TR*
Student numbers grew by less than 10%	CZ, *FI*, FR, UK
Student numbers decreased	LV, PL, SK, IT

In red: countries where funding decreased over the period 2008-2011 (inflation-adjusted figures)
In italics: countries for which the funding data is unavailable for this period.

4 - For consideration and discussion

- The latest Funding Observatory figures appear to confirm divergent trends in funding indicating a danger of major divisions across Europe in terms of levels of public investment
- Cuts increase the pressure on universities to look for other funding sources such as EU funding programmes and/or increase student fees
- There is a common trend towards reduction in capital investment and in the maintenance/development of infrastructure (campus facilities and equipment)
- This will have an negative impact on Europe's competitiveness and does not bode well for the development of the EHEA and the ERA

Financial sustainability of universities
3 essential elements

Identifying costs of all activities and projects

Diversification of income streams

Sufficient and sustainable public funding

Universities
Funders
Public authorities

Thank you for your attention