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### The impact of the global economic crisis on higher education

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Worldwide the impact of the economic crisis on higher education has been uneven but profound. Some policy changes since 2008 will prove temporary. Others will not. Like the mid 1970s global recession, this recession has triggered lasting changes that will affect all national higher education systems: changes in core relationships, between students or households and the state, between students and institutions, and between the state and institutions. While recent changes are not uniform, in many countries financing is shifting from public to private sources, and the state's role is becoming more centred on research and STEM, seen as the engines of innovation.

There have also been shifts in the global balance of power in higher education. The crisis period has narrowed global inequalities in one sense while increasing them in another. The changes in public financing have differed by global region, narrowing the gap between on one hand the rising East Asian higher education and science systems, and to some extent those of Latin America, on the other hand Europe and North America. Yet paradoxically, some inequalities between national systems have grown. In Europe the gap between Northern Europe and the rest has increased. And developing countries that still lack a modern science system, such as Indonesia and large parts of sub-Saharan Africa, find themselves increasingly disadvantaged. Some are rising, others are falling further behind.

In Europe between 2008 and 2012, there were overall decrease in public funding of more than 10 per cent in 11 countries. There are four groups of countries, according to how well funded in 2008, and the policy decisions on funding and tuition fees since 2008.

Group one countries were relatively high public funders of higher education in 2008, and have maintained or increased funding since. This includes all Nordic systems except Iceland, and France, Belgium, Germany, Austria and Switzerland. Austria is increasing funding by 300 million euro per annum until 2015. In some cases public research funding has grown while teaching funding has been stagnant, notably Germany. This leads to variations within systems,

with research intensive universities often—though not always—better protected, for example Denmark and Sweden.

In group two are high public funders of higher education in 2008 that have seen major funding cuts, though they are still higher than average spenders: the Netherlands, Ireland, Iceland.

Group three consists of two countries, lower than average public spenders in 2008 that have increased funding, Poland and Slovakia. In Poland the increases have been largely cancelled out by inflation. Uncompensated inflation is weakening public funding also in Finland, France, Netherlands, Portugal, Flanders and the UK.

In group four are countries with lower than average public spending in 2008 that have now cut funding further: the Baltic countries, Czech Republic, Hungary, Croatia, Greece, Italy, Spain and Portugal. In some cases student fee increases have modified the cuts in public budgets, but the gap between groups one and four has widened overall.

Latvia saw a grim 57 per cent reduction in 2008-2011 though funding stabilized this year. Estonia saw a major funding reduction in 2008-2010. In Hungary funding was cut by more than 5 per cent each year from 2008 to 2012. Portugal has seen public funding fall by almost 20 per cent and higher education in both Greece and Spain has experienced several sharp cuts. Iceland cut public funding by over 10 per cent in the first two years. In Ireland state funding per student dropped almost 20 per cent after 2007, partly offset by an increase in the undergraduate student 'contribution' from 900 euro in 2008 to 2000 euro this year. Ireland has also cut research funding. The UK saw cuts in public higher education funding of about 10 per cent in 2008-2010. Research funding is protected but not wholly insulated from inflation. Capital spending on research is down.

The European Universities Association reports many negative effects of public funding reductions, including worsening student-staff ratios, hiring freezes as in Spain, forced redundancies in some systems, reduced library hours and curtailed student services. Many low demand programs have been phased out. There is downward pressure on infrastructure development and capital investment.

The role of student fees has increased overall but the trend is more clear-cut in the English-speaking countries than elsewhere. Marginal

fees have grown, as for repeaters, second degrees, and international students, for example Denmark, Sweden and Spain. Most of Germany and the Nordic world sustain free places. The role of student loans, in various forms, is growing, e.g. the UK, the Netherlands and Hungary.

Perhaps the most striking changes have been in the US public sector. Though the private Ivy League gets more glory, public research universities generate most American academic research and PhDs, and are crucial to access to students from under-represented groups. Moderate tuition prices are essential to this. Within the first year, 34 states instituted 'major' funding reductions, triggering forced unpaid furloughs, reduced professional staff, cuts of 2-10 per cent in academic salaries, reduced course offerings, major increases in student tuition and reduced financial aid. For the first time California State Universities refused entry to qualified students. In 2009-10 Berkeley's operating budget was cut by \$80 million.

American states have a limited capacity to borrow. When their revenues fall higher education funding must follow. But given the political reality that the cuts have been accepted, it is unlikely that the pre-2008 position will return when revenues increase. In fact the recession has sharply accelerated the long-term decline in the proportion of funding that derives from the states. Between 2002 and 2010 state funding dropped by 20 per cent overall. It now covers less than a fifth of costs. State funding per student fell by more than 30 per cent in Colorado, Illinois, Georgia, South Carolina, Virginia, Oregon, Michigan, West Virginia and California. In the longer picture, in the University of California system between 1990 and 2010, public funding per student dropped from \$15,860 to \$9560.

The position in the rest of the world is mixed. Substantial reductions in public funding in the Ukraine, Brazil, Korea, Philippines and Japan. Marked increases in Singapore, China, Turkey, India, Chile. Funding growth also in Russia, South Africa, Israel, Saudi Arabia, Taiwan, Thailand and Indonesia. Also in non-Brazil Latin America including Colombia, Mexico and Argentina. In many countries both public and household funding are increasing. In 37 countries where data are available, real price tuition fees increased in eight countries in 2011.

Except Japan the Confucian-heritage countries of East Asia have narrowed the remaining gap between them and Western Europe, in the resourcing of student learning and research. China's government

has focused on top research universities, improved infrastructure and better access in rural areas. Total R&D investment in East Asia surpasses the UK and Western Europe. China alone will pass the United States in the next decade. However, the US will maintain its position of leading science system, as measured by high citation papers, for the foreseeable future.

Overall, the crisis has enhanced global convergence around a common neo-liberal approach to policy. The mid 1970s global recession triggered the collapse of Keynesian economic management. In the early 1980s in the UK the state began to remake the old assumptions about private benefit and public good in higher education and to devise ways of cheapening massification. Neo-liberal assumptions and techniques, supported also by the US model of higher education as a competitive market, spread across the whole world, to varying degrees. Now we are seeing an accelerated retreat from state funding in North America and Europe. In the rising Confucian heritage systems, high household investment and selective not general state funding have long been part of the policy culture.

Everywhere there is more positioning of higher education as the servant of capitalism, deeper business models and quasi-commodity forms, more vocationalist ideology, more emphasis on public-private financing and industry partnerships. At the same time, the growing plurality of income sources and decline in state financing has not led to reduced state steering or intervention. We are also experiencing accelerated downward pressures on the quality of the academic profession, including a decline in permanent positions, blockages to reproduction of the profession through hiring freezes, and the increasing attractiveness—to university managers—of low cost alternatives to academic labour, such as MOOCs.

State investment is more stable in research than teaching. Arguments about market failure and national innovation in research are widely accepted. But there is a growing tendency to treat teaching as a private good, or to emphasize the private side of a public/private mix. Under one possible scenario state financing becomes limited to research and schemes designed to foster more equal access through student loans. This vision of higher education neglects its role in creating collective, jointly consumed goods and spill-overs to the general population. The unknown question is exactly what happens to collective benefits such as scientific literacy or social tolerance,

and private non pecuniary benefits such as better health outcomes, when higher education becomes largely privately funded.

In a recession, states become more interested in fiscal savings than collective goods. Worse, in many countries states have discovered that if they cut public funding on a large scale there is no necessary political punishment, and no necessary decline in participation rates. Middle class families know that they cannot afford to abstain from higher education, despite increases in the private price. To abstain from higher education is drop out of the upper half of the labour markets. States around the world will not forget these lessons. Unless a new and compelling argument for public investment in more than research is created, the public contribution to higher education will continue to erode, creating downward pressure on the creation and distribution of public goods, withering higher education's social remit. Only the emerging national systems, especially those in which the state is defined as having a comprehensive role, clearly sustain a larger policy commitment to the common public role of the sector.