



FUNDING OF HIGHER EDUCATION

WORKING GROUPS

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July, 2020

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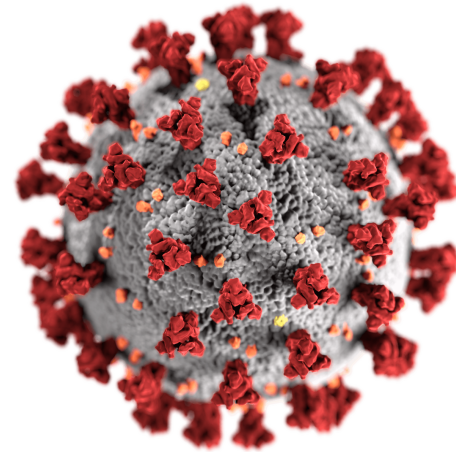
Content

- ⦿ Objectives
- ⦿ Basics of funding of higher education
- ⦿ Trends
- ⦿ The impact of the economic crises
- ⦿ Policy solutions

Objectives of the presentation

- ◉ To create a general framework of the financing of higher education;
- ◉ To give a general description of the trends, impact of economic crises and policy solutions in this area.

- Higher Education is increasingly important to economies, individuals, and societies striving for democracy and social justice. The **contribution of universities to the socio-economic development** and the innovation processes has been ratified by different reports (OECD Education at a Glance).
- At the same time the **cost of higher education** is rising significantly. Massification, driven by demographics and the higher percentage of students completing secondary school and desiring higher education, is driving up unit costs for instruction and research.
- The **“coming” economic crisis** provoked by the pandemic will exacerbate financial concerns in higher education across the globe. Governments will have to deal with their budgets in order to cope with all the different challenges (health, education, employment, etc.)

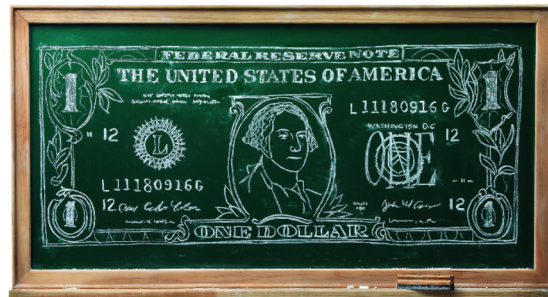


- ⊙ ***The increasingly knowledge-based economies of most countries:*** higher education in many places is increasingly viewed as a major engine of economic development. In countries with more broadly based innovation systems, these elements are clearly recognized as a key contributor to the advancement of cutting-edge knowledge.
- ⊙ ***An increasing demand for higher education by individuals and by families for their children:*** this increase in demand may go well beyond the capacity that knowledge economies can absorb, even leading to high numbers of unemployed and underemployed college and university graduates. However, the extent of this rapidly rising demand for higher education is due in part to increased competition for good jobs and employers' use of higher education degrees as a screening device for allocating the best jobs.
- ⊙ ***Unit, or per student, costs that rise faster than inflation rates:*** this cost increase is magnified by rising enrolment pressures that drive the total higher education cost in most countries beyond rates of inflation.

- ◉ ***The inability of government tax revenues to keep pace with rapidly rising higher education costs:*** this failure results from the difficulty most economies face in raising taxes both cost-effectively and progressively, as well as the increasing competition from other political and social public needs.
- ◉ ***Increasing globalization:*** among many other things, globalization contributes both the increasing demand for higher education and the inadequate government revenue to support it. The declining tax revenue is partly a function of production and capital in one country being transported to areas of lower wage/lower tax jurisdictions.
- ◉ ***The increasing reliance in almost all countries on nontax revenues:*** known as cost- sharing, parents and/or students are increasingly responsible for tuition and other fees that contribute to higher education revenue requirements. Tuition fees are emerging even in Europe, which was long the bastion of free public higher education, and are increasingly found even in former Communist or Socialist countries. Tuition fees are also ideologically and politically contested even where they play a relatively minor role in the total expenses incurred by parents and/or students. Tuition fees serve as a flash point in the larger political contests arising from the inability of governments to meet the needs of all the people.

- ◉ ***The increasing importance of financial assistance:*** student-loan schemes are especially important and more cost-effective for maintaining higher education participation and access in the face of increasing parent and student expenses.
- ◉ ***An increasing liberalization-that is, a free market and private sector orientation-of economies:*** this liberalization is leading many governments to respond to higher education's financial challenges by corporatizing and privatizing public universities, implementing new public management tools for public university budgets and financing, and encouraging private colleges and universities.

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The immediate effect of these trends on the financing of higher education (again, varying by country) is a state of austerity in universities, postsecondary education institutions, and national higher education systems.

- ◉ ***Universities and other postsecondary education institutions:*** overcrowded lecture halls; restive and otherwise unhappy faculty; insufficient or outdated library holdings, computing, and Internet connectivity; a deterioration of physical plants; less time and support for faculty research; and a widely assumed loss in the quality of both teaching and learning as well as research.
- ◉ **Covid-19 / Social Distancing** promoted online education, but not all universities are ready.

- ⦿ ***National systems of higher education:*** capacity constraints; the inability to accommodate all graduates who are eligible for and desire further study; faculty "brain drain" as the most talented faculty move to countries with fewer financial troubles; and an inability to compete in the global knowledge economy
- ⦿ ***Students:*** tuition fees where there used to be none, in addition to the rising costs of student living; the need to work while studying, go into debt, or both, for those fortunate enough to find a place at all.

- Solutions on the cost side include **increasing class sizes and teaching loads, deferring maintenance, substituting lower- cost part-time faculty for higher-cost full-time faculty, dropping low-priority programs, increasing online offer.**
- **Strategic cost-side solutions**, on the other hand, use available resources more wisely to support academic quality, capacity, social equity, and the needs of students, employers, and society alike.
- New developments for greater managerial autonomy and flexibility-essentially moving toward managerial models associated with private enterprise-are collectively referred to as new public management and are designed to **maximize the university's teaching and research outputs for the public as well as to provide incentives for maximizing nongovernmental revenue.**
- **Cost-side solutions** to financial shortfalls-after deferring expenditures on new plant, equipment, and facilities maintenance-may seek to lower the average per-student costs of instruction by increasing average class size, increasing teaching loads, and substituting lower-cost junior or part-time faculty for higher-cost senior faculty.

Cost sharing is most associated with **tuition fees and "user charges,"** especially for room and board. However, a policy shift in the direction of greater cost sharing can take several forms:

- ◉ *The beginning of tuition (where higher education was formerly free or nearly so)*
- ◉ *The addition of a special tuition-paying track while maintaining free higher education for the regularly admitted, state-supported students*
- ◉ *A very sharp rise in tuition (where public-sector tuition already exists)*

- ◉ *The imposition of "user charges," or fees, to recover the expenses of what were once governmentally or institutionally provided (and heavily subsidized) residence and dining halls*
- ◉ *The elimination or reduction of student grants or scholarships*
- ◉ *An increase in the effective cost recovery on student loans*
- ◉ *The limitation of capacity in the low or tuition-free public sector together with the official encouragement (and frequently some public subsidization) of a tuition- dependent private higher education sector*

- ◉ National, global, political, and ideological contexts play a **key role in shaping the trends** that determine both the financing of higher education and policy solutions for the resulting austerity.
- ◉ The **increasing reach of tuition fees and other forms of revenue diversification**, as well as the pressures for accountability or institutional autonomy, are mostly attributable to three fundamentally important aspects of higher education around the world today:
 - A virtually universal higher educational production function accompanies a trajectory of rising unit costs.
 - The increasing demand for higher education in many contexts exacerbates this rising trajectory of costs, or revenue needs.
 - Governmental revenues in most countries are unable (o at least unlikely) to keep up with these rising revenue requirements

- ◉ Finding ways to **sustain quality provision of higher education**, with appropriate access for qualified students at affordable rates for students, families, and other key stakeholders, will require:
 - careful planning that attends to both short- and long-term needs;
 - these efforts will likely only succeed insofar as they combine flexibility, innovation, and creative collaboration among relevant constituents, while sharing a common commitment to a vibrant and sustainable higher education sector.

Thank you!

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