

European Universities Diversifying Income Streams

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Financially Sustainable Universities

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Content of Presentation

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- Financial aid to students
- Tuition Fees
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Funding of Higher Education

Public and Private Investment

	Public (%)	Private (%)
Belgium	1,2	0,1
Czech Republic	1	0,2
Denmark	1,6	0,1
Germany	0,9	0,2
Estonia	1,1	0,2
Spain	0,9	0,2
France	1,2	0,2
Ireland	1,1	0,3
Italy	0,6	0,3
Hungary	0,9	0,3
Netherlands	1,1	0,4
Austria	1,3	0,1
Poland	0,9	0,4
Portugal	1,1	0,5
Slovenia	1	0,3
Slovakia	0,7	0,2
Finland	1,6	0,1
Sweden	1,4	0,2
UK	0,7	0,6

	Public (%)	Private (%)
EU19 average	1	0,2
USA	0,9	1,8
Japan	0,5	1

Investment in Higher Education from public and private sources, relative to GDP in 2007

Funding of Higher Education

Public and Private Investment

- The public investment values in Higher Education in EU (1% of GDP) are similar to those of USA (0.9%) and far superior to levels in Japan (0,5%)
- There is a great difference between the values of public spending in Higher Education between EU countries. While in northern countries, values are close to 2% of GDP, in the East and South they are less than 1%
- Private investment in EU (0,2% of GDP) are much lower than those of Japan (1%) and USA (1.8%)
- The European Commission aims to invest 2% of GDP in Higher Education

Funding of Higher Education

Public and Private Investment

- If Europe were to match the US investment figure, it would need to spend an additional €150 billion each year on Higher Education
- Private resources contributed by students in USA partly explain this gap
- The American universities also benefit from high levels of both public and private funding:
 - Research defence credits
 - Fundamental research provided by the business sector foundations

Funding of Higher Education

Public and Private Investment

The under-funding of European universities jeopardizes their capacity to keep and attract the best talent and to strengthen the excellence of their research and teaching activities

Funding of Higher Education

Public and Private Investment

	Total expenditure per tertiary student (thousand euro)
Belgium	10,7
Czech Republic	5,2
Denmark	13,6
Germany	9,7
Estonia	5,1
Spain	6,9
Greece	4
France	8,1
Ireland	6,9
Italy	7,6
Cyprus	9,2
Latvia	3
Lithuania	3,1
Hungary	7
Malta	6,1
Netherlands	12
Austria	10,1
Poland	3,9
Portugal	4,8
Slovenia	8,7
Slovakia	4,9
Finland	8,6
Sweden	14
UK	9,7

EU 25 average	8,6
USA	20,1

Total expenditure per tertiary student in all education institutions (public and private)

Financial Aid to Students

Financial Aid to Students	
Belgium	4,4
Bulgaria	14,6
Czech Republic	3,8
Denmark	16,1
Germany	11,0
Estonia	3,6
Ireland	10,3
Spain	3,2
France	3,6
Italy	5,2
Cyprus	13,8
Latvia	4,3
Lithuania	4,5
Luxembourg	2,3
Hungary	5,2
Netherlands	11,4
Austria	5,1
Poland	2,2
Portugal	3,7
Romania	1,9
Slovenia	8,0
Slovakia	6,0
Finland	6,6
Sweden	9,9
United Kingdom	6,2
Norway	19,4
Switzerland	1,6

EU 27	6,4
United States	5,1
Japan	4,6

Financial aid to pupils and students as % of public expenditure in 2007.

Financial Aid to Students

- Direct public support for students represents a strand of public-sector education investment which is conducive to equality of opportunity
- The data includes study grants and other transfers paid to students and to households and, when they exist, public-sector loans to students

Tuition Fees

	Public Institutions (USD)	Private Institutions (USD)
France	179 to 1206	---
Netherlands	1754	---
Spain	854	---
Slovenia	---	1166 to 5971
USA	5943	21979
Portugal	1178	4796
Italy	1195	4355
Japan	4432	6935
Korea	4717	8519
Australia	4035	7902
Austria	821	821
Iceland	No tuition fees	2058 to 6449
Mexico	No tuition fees	4847
Norway	No tuition fees	5247
Sweden	No tuition fees	No tuition fees
Finland	No tuition fees	No tuition fees
Ireland	No tuition fees	No tuition fees

Annual average
tuition fees
charged to
national students
in the Academic
Year 2006/2007

Source: OECD

➤ Increasing tuition fees:

➤ Advantages

- more accountability autonomy
- more competition between institutions
- less reliance on public money - sustainability

➤ Disadvantages

- Social barrier
- Students changing from full to part-time programmes
- Students choosing universities according to economic criteria (e.g. if it is close to home) rather than quality

➤ Ireland – no tuition fees

- More than 38 Higher Education institutions
- Second highest level of third level degrees in Europe (41.6% among young adults)
- There are “registration fees” on entry to the course that average €1500 per student
- Free fees have had “(...) *little or no impact to date on promoting equity and broadening access to higher education for the lower socio-economic groups (...)*”

- **UK – recent reforms on education**
- Initial situation:
 - Maximum tuition fee: £3000
 - System of deferred tuition fees with no interest rates
- Reform:
 - Cuts in institution's budget (teaching, research, ...)
 - Maximum tuition fee: £6000 (£9000 in exceptional situations)
 - For the first time part-time students will also be entitled to a loan and no longer forced to pay up-front costs
 - Deferred tuition fees with a real rate of interest

➤ Australia – Higher Education Contribution Scheme (HECS)

- Higher tuition fees for students from abroad - reliance on overseas tuition fees (in some institutions it represents more than 30% of revenues)
- Most Australian students are Commonwealth supported (they make a contribution towards the cost of their education, while the Australian government contributes the majority of the cost)
- *“Australia was the only OECD country where the Public Investment on Higher Education remained at the same level in 2005 as it had been in 1995, while student numbers grew more than a third”* (Vice Chancellor of Australian National University)

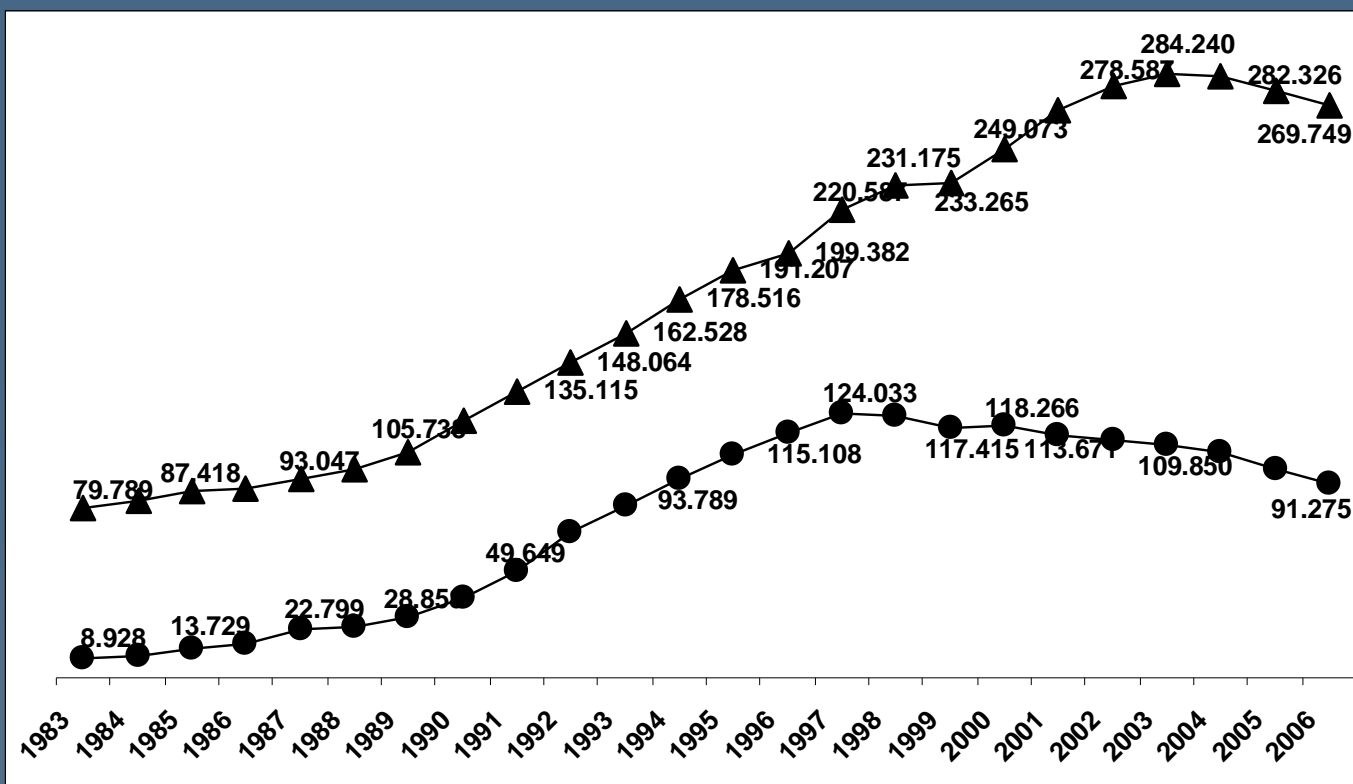
➤ Portugal – Higher Education Reform

- Reform in 2003 including tuition fees with a relevant value (€1.178 to €4.796)
- This measure was complemented with the introduction of a system of financial aid in which 30% of the students have grants that cover the tuition fees and a number of those students have a grant that can attain the value of the minimum wage (€500)

Portugal – Higher Education

Number of students in Higher Education in Portugal per year

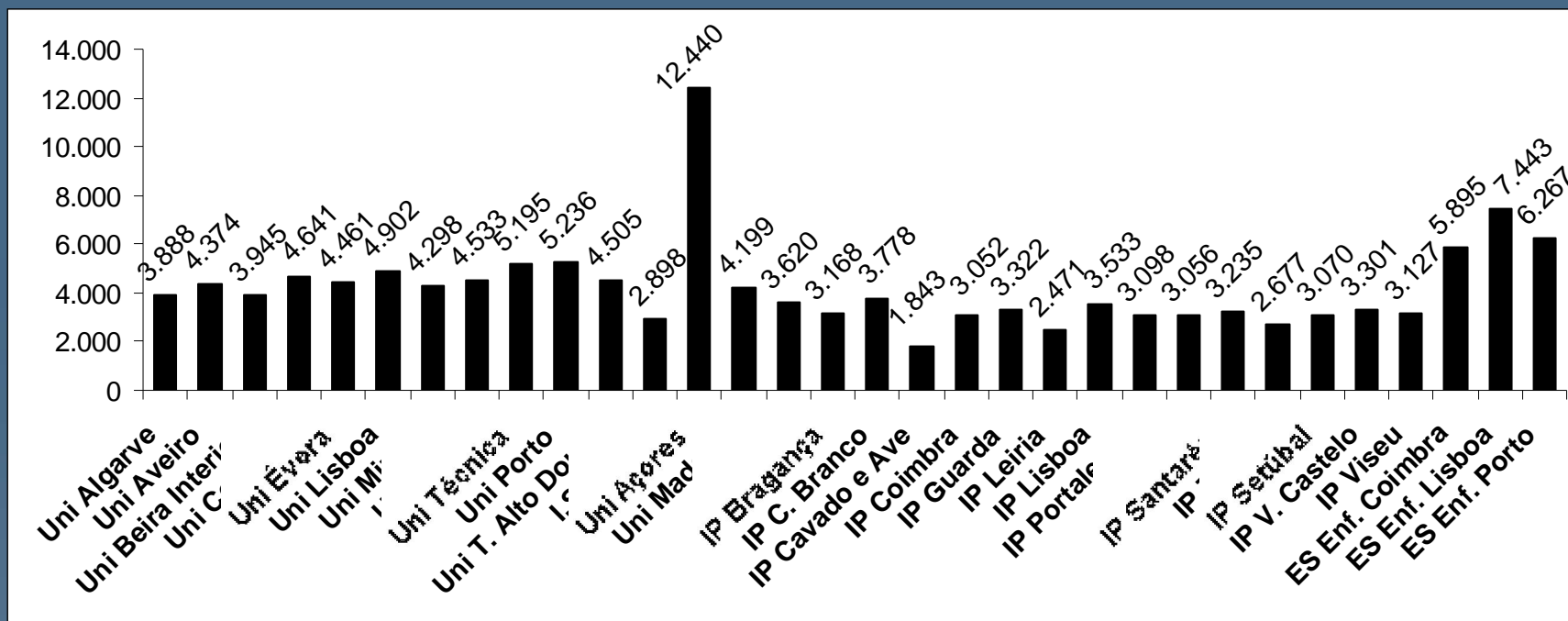
▲ Public Institutions ● Private Institutions



Portugal – Higher Education

Funding of Public Higher Education Institutions in Portugal in 2005

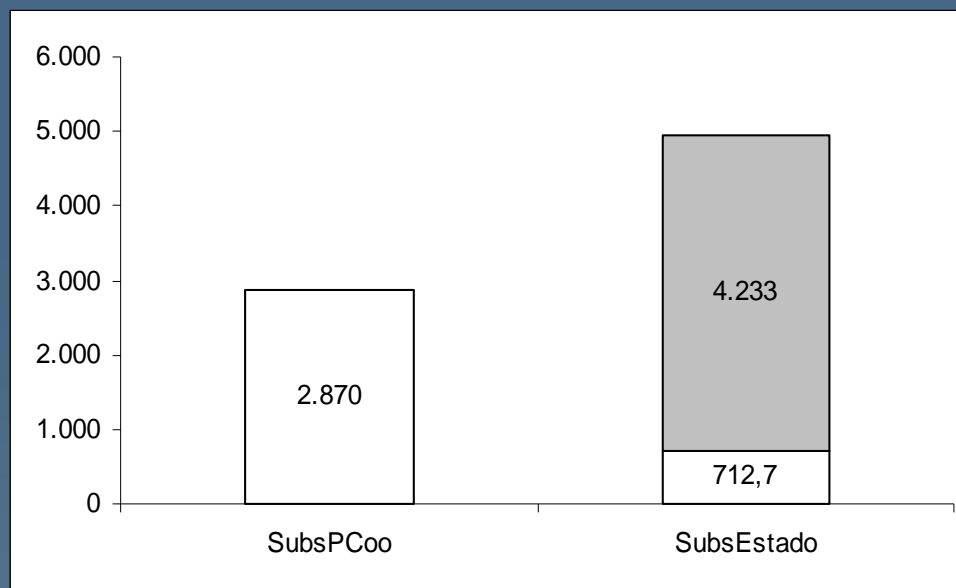
Average state contribution for student: €4.233



Tuition Fees - Portuguese case

Portugal – Higher Education

- Average state contribution per student: €4.233
- Average tuition fee in Public Institutions: €712,7
- Total cost per student in Public Institutions: €4.945,7
- Average tuition fee in Private Institutions: €2.870,0



Private Institutions

Public Institutions

Public Funding

Average Annual tuition fee

Tuition Fees - Portuguese case

Portugal – Higher Education Grant Situation in 2005: Public versus Private Sector

N° of students in Public Sector	276,196
N° of grants in Public Sector	57.779
Average amount of grants in Public Sector	€2.592
N° of students in Private Sector	98.181
Average amount of grants in Private Sector	€1.687
N° of grants in Private Sector	12.221



Grupo **PPE**
no Parlamento Europeu

Policy recommendation aimed at
combating the under-funding
of European universities:

Increase and diversify universities' income

- Increase of public funding for research and teaching
- Creation of a favorable fiscal system to attract private donations
- Selling of services (including research services and flexible lifelong learning schemes)
- Creation of a regulatory framework which allows universities to take advantage of their research activities
- Use cost-sharing between the State and the students
 - - Implement tuition fees (always assisted with income-contingent loans and scholarships)
 - - Consider policies to stabilize tuition fees in order to ensure cost containment and moderation
 - - Allow institutions to differentiate tuition fees across courses to make systems more responsive to student and employer preferences and generate efficiency gains

1) High Levels of Government Subsidy

- * No tuition fees
- * University costs entirely funded by Governments: e.g. Finland

2) Means tested "grant system"

- * Tuition fees
- * Level of grant related to family income of the student
- * A section of the population receives essentially free education: e.g. Portugal

3) High dependency on private resources of students

- * Tuition fees
- * High levels of private contributions
 - Voluntary contribution from family
 - Loans system (with preferential rates of interest)
- * Private contributions tend, potentially, to cover major share of costs
e.g. England

Advantages and Disadvantages

1) High Levels of Government Subsidy

Advantages:

- social equity
- does not increase burden of private debt

Disadvantages:

- high burden on tax payers
- paid for by people who do not benefit from the education

2) Means tested "grant system"

Advantages:

- includes tuition fees (contributing to high university revenues)
- does not overburden taxpayers
- to each according to his needs, from each according to his means
- does not lead to accumulation of private debt

Disadvantages:

- includes contribution from tax payers
- requires means testing

3) Mixed system tending to relative high dependency on private resources of students

Advantages:

- reduces burden on taxpayers
- those who benefit from the education pay for education

Disadvantages:

- access to education linked to ability to pay
- liable to increase private debt levels

- The crisis will affect the higher education systems across Europe in terms of public funding and in terms of growing accountability requirements
- Diversification of funding sources is fundamental for the financial sustainability of European Universities
- However, diversification of funding requires:
 - More autonomy
 - Excellent governance and management
 - Simplification of procedures
 - Internal organizational reforms

- Simplification of European funding schemes is a must
- Tuition fees combined with “means tested” grant system promotes equity, access and equal opportunities



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The End

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