

EUROPE'S UNIVERSITY BUDGETS

THE EUROPAEUM UPDATE - FEBRUARY 2012

This document sets out to provide a snapshot of the impact of the current economic downturn on national higher education programmes across Europe - of countries that host Europaeum partner institutions (and the countries of potential Europaeum partners).

While reliable statistical data is difficult to pinpoint - and is moreover in flux due to evolving responses and current austerity programmes being passed by governments embroiled in the seemingly insoluble Eurozone crisis - the economic downturn has, on the whole, had a negative short-term impact upon public higher education programmes queried. The last investigation into these budgets was completed in August 2010. This report is current as of last month (February 2012). Obviously this deals with public spending, so privately funded institutions may not be affected, and equally those institutions who raise a large proportion of their income from non-governmental sources

This updated document builds on our previous review document. While that version drew largely upon internet sources and a University World News article¹, and a detailed EUA report², this document uses a wider variety of sources including The Financial Times, Bloomberg, and other media outlets, many domestic news agencies, as well as official Government documents. Our findings though do owe much to a 2011 EUA paper on Financially Sustainable Universities.³ This document was the culmination of wide research on European universities' financial states, but was published in 2011, so may not account for more recent announcements and developments.

OVERALL CONCLUSIONS

European universities are being affected in many different ways during the current economic crisis – with winners and losers already emerging – and the differences set to be multiplied over the coming years depending on how the winners use their comparative advantage, and how the losers can best mitigate the effects of cuts through so-called efficiency savings or by raising new sources of income. The effects must be couched with caution as there are so many factors that can impinge on how a cut actually affects an institution, and so much depends on the underlying position and on leadership.

Those universities that can count themselves lucky with their budgets protected or even increasing in countries are based in the following countries: Finland (+12 %), Switzerland (+3 %), France (+3 %), Germany (+ 2%) and Poland (+ 1%). While the Finland, Switzerland and Germany could be said to be doing economically well, there are state governments such as France, perhaps for election purposes, and Poland, that have promised to keep *investing* in higher education. It remains to be seen, however, whether these countries can maintain their position, facing ongoing economic difficulties and upcoming elections.

Meanwhile of course more and more countries have passed extensive austerity packages as part of the general Eurozone crisis, to try to slash their fiscal deficits. Most severely hit over the coming years are the higher education budgets of the southern European countries, with 20 % budget reductions in Italy and Portugal, and similar effects expected in Spain. The UK government joins this group diligently in cutting costs, with a 40 % budget reduction for the next years, but this is offset with promises of increases in other ear-marked areas and through the new tuition fee system, as well as the Netherlands, where university cuts are about 20 %. but again with a new tuition fee system creeping in. The Czech Republic is hit as well, with estimates of reducing education spending up to 4 %.

¹ Accessible at: www.universityworldnews.com/article.php?story=20090220085540843

² Accessible at: www.eua.be/fileadmin/user_upload/files/Newsletter_new/economic_crisis_19052010_FINAL.pdf

³ Accessible at: http://www.eua.be/Libraries/Publications/Financially_Sustainable_Universities_II.sflb.ashx

A SURVEY OF EUROPEAN COUNTRIES INVOLVED IN THE EUROPÆUM

CZECH REPUBLIC (ESTIMATE -2 % TO - 4 %)

According to the EUA, the level of cuts in the Czech Republic has been estimated at 2-4% of public funding. This is comparable to other Eastern and South Eastern European countries that have seen cuts of up to 5%.⁴ On 7th November, the Czech centre-right government passed a reform package that will raise taxes and restructure the health and pensions systems.⁵ Further to this, on 21st September, the Czech cabinet approved a draft budget for 2012, which assumed an optimistic growth forecast of 2.5%.⁶ The Prime Minister acknowledged that this may be too optimistic, and if the Eurozone were to suffer a full-blown recession, exports, upon which the Czech economy is largely dependent, will suffer, paving the way for likely austerity measures. In this scenario, the rate of 2-4% cuts may have to be increased.

At the start of January 2012, Finance Minister Miroslav Kalousek announced that the revision of the 2012 state budget showed that additional cuts of 30 billion Czech crowns will have to be made. The cuts will be made in administration and government budgets and some state investment would be frozen. Further austerity measures will be presented at the end of 2012⁷. It is as yet unclear whether these would hurt university budgets directly, but this seems a likely outcome.

FINLAND: (ESTIMATE +12 %)

Over the past two years, Finnish universities have undergone significant systemic reforms: the new Universities Bill of 2009 has transformed institutions from branches of government into independent legal entities. Universities now face fewer restrictions in raising revenue via private donations and bequests. Initial private fund-raising activities were slow to pay-off, largely because of the sluggish economy, which affected the flow of corporate donations.⁸

Between 2010 and 2011, the budget allocation for university education increased by an impressive 12%, to €2.927 billion, demonstrating the government's commitment to "quality, efficiency, equity and internationalisation."⁹ The EUA reports that the Finnish government has shown no intention of offering direct cuts to education at the current time.

Furthermore, since 2009 the Finnish government has introduced a tax deduction of corporate donations for up to €250,000 until the end of 2012. These donations have significantly strengthened the budget of universities. Higher education institutions have been also encouraged to provide education globally - to launch programmes in English and offer them abroad. The state funding is no longer offered on the basis of a target number of degrees¹⁰.

This positive attitude and reluctance to enact policies that might hurt education perhaps stems from Finnish pride in its education system, which consistently ranks very highly. This cultural factor may serve as Finnish education's strongest defence if the Finnish economy struggles in the future.

FRANCE (ESTIMATE + 3 %):

Although austerity measures have recently been passed by Nicolas Sarkozy's government, and more cuts are expected to come in the future, higher education appears to be a safe haven for the time being. In 2011, the budget

⁴ *ibid*

⁵ From the FT, accessed on 16th November 2011: <http://www.ft.com/cms/s/0/911157c4-0946-11e1-8e86-00144feabdc0.html#axzz1drcKwplQ>

⁶ Available at: <http://www.ceskenoviny.cz/news/zpravy/czech-cabinet-unanimously-approves-2012-state-budget-draft/690689>

⁷ Accessible at Radio Praha website: <http://m.radio.cz/en/section/news/news-2012-01-08>

⁸ Accessible at:

http://www.minedu.fi/OPM/Koulutus/koulutuspolitiikka/Hankeet/Yliopistolaitoksen_uudistaminen/index.html?lang=en

⁹ Accessible at: http://www.minedu.fi/OPM/Linjaukset_ja_rahoitus/tilastoja_ja_taulukoita_taloudesta/toimialat.html?lang=en

¹⁰ Accessible at <http://www.universityworldnews.com/article.php?story=20120108085803443>

allocation increased by 3% - amounting to €4.7 billion. Efforts to cut the fiscal deficit have so far focused on cuts elsewhere, as well as raising taxes on the rich.

However, since a major part of the investments foreseen by the “*Grand Emprunt*” (national loan) consist of capital contributions, this means that the actual amount received by universities ultimately depends on the financial markets and is likely to be significantly smaller. France’s credit rating downgrade on January 13th appeared to make this more likely.

Nicolas Sarkozy, France’s President, is up for re-election in May this year, however, and it was assumed that his main line of argument in the campaign would be that he protected France from the financial markets. In the light of the downgrade, he may be forced to reassess his priorities. Sarkozy’s electoral strategy now seems to be to consolidate or even reinforce his pro-austerity image. His political challenger, PS candidate Francois Hollande, however, has also pledged to reduce France’s deficit to 3 per cent in 2013, through massive social cuts. Thus, the future of France’s economic situation is unclear, and the effects on higher education are hard to assess.

GERMANY: (ESTIMATE + 2 %)

In 2011 the budget for Germany in general rose by 2% up by € 2.3 billion compared with 2010, for universities and special university programmes.¹¹ Most German university funding comes from individual states (*Länder*). The budget for 2011 in the state of Bonn University’s North-Rhine Westfalia, rose by €338.08 billion to €6.19 billion on Research and Sciences.¹²

The EUA reports that the German federal government has been increasing investments in German higher education - an area traditionally funded by individual *Länder* authorities. The federal investments will provide an additional €800 million under the renewed Higher Education Pact, which will support an expansion of student numbers until 2015. A further €2.7 billion from 2012-15 will be invested in the German Excellence Initiative, and a 5% yearly increase will follow for the Innovation and Research Pact until 2015. Through the Pact to Increase the Quality of Teaching, federal authorities with state support will also guarantee further financial resources over the next ten years; a funding commitment which comes at the same time to a 2% increase in current levels of student support via the Federal Student Finance Act.

German federal elections will take place in 2013, when the Chancellor, Angela Merkel, will possibly lose her economically liberal junior coalition partners, the FDP, who have been flagging at around 3% in the polls for many months. Her centre-right party, the CDU, is still expected to win the greatest share of the vote, but may have to govern with a more left-wing party. This may lead to a lesser willingness to make cuts, especially as Germany’s economy is currently still strong.

ITALY: (ESTIMATE UP TO - 20 %)

With the recent assumption of office by a government of technocrats led by Mario Monti, a former EU Commissioner, the future for the education budget is uncertain, especially in the light of the need to appease bond markets and bring down the cost of borrowing. Protests have already taken place in Italy, with chants of ‘*save schools - not banks*’. These focused on the cuts initiated by Silvio Berlusconi, the former Prime Minister. According to *Business Week*: “That package includes € 20 billion of deficit-reduction measures to trim the budget gap to 1.4 per cent of gross domestic product next year. Another €25 billion of cuts will come in 2013 to allow a balanced budget a year earlier than pledged in the government’s original €48 billion plan [in July].”¹³ New measures include a “solidarity contribution” from higher incomes, cuts to ministries and local authorities and a reform of the pension system.¹⁴

The impact of these measures is that universities’ public funding is expected to be reduced by close to 20% by 2013, dashing previous expectations of a more gradual cut of 10% over the same period. However, the cut will also have

¹¹ Available at: <http://www.bmbf.de/de/96.php>

¹² Available at: http://www.fm.nrw.de/haushalt_und_finanzplatz/haushalt/01_aktuell/schwerpunkt.php

¹³ Available at: <http://www.businessweek.com/news/2011-08-13/italy-approves-64-billion-plan-to-balance-budget-by-2013.html> [accessed on 21/11/11]

¹⁴ Available at: <http://www.ft.com/cms/s/0/55a75904-c526-11e0-ba51-00144feabdc0.html#axzz1drcKwpIQ>

the effect of diminishing universities' income from tuition fees, which are limited and cannot exceed 20% of their total public funding. The situation appears critical as some 25 universities already face a default in the near future. It has been suggested that many Italian parties are privately hoping that it is Mr Monti's technocratic government that succeeds in reforming the Italian economy, as, although the measures are deemed necessary, they are likely to be unpopular. Italian universities can expect grim times ahead if those making the decisions about their budgets are not constrained by the fear of negative public opinion.

THE NETHERLANDS: (ESTIMATES VARY - UP TO – 20 %)

The budget thrashed out in September 2011, indicated a time of austerity ahead. Radio Netherlands Worldwide reported that the centre-right cabinet has pledged to cut €18 billion in spending over the next five years.¹⁵ The government agreed a cut of up to €500 million a year for higher education, “penalties for students and universities if they fail to complete their degree after four years, and the abolition of grants for masters students”. University rectors and others argued that this would push Dutch universities out of the global upper league.¹⁶ Last year in January- February, news of impending cuts to education led to massive street demonstrations by students and teachers - similar to those witnessed in other European countries.

The Dutch government has now introduced student fees of €3,000 for each year that a student needs above the minimum to complete his or her bachelor's degree.¹⁷ The aim is to lessen the number of slow students; but the Dutch Association of Universities warns that to make this work more teachers are needed. However, from 2012 on the total budget for university teachers has been cut by 10 per cent, resulting in even less teachers. It has been calculated that in the coming years, some 1,100 university employees will lose their job with total cuts estimated at €220 m).¹⁸

Research will mainly be hit because of the loss of the gas profits, which in the past went directly to innovative research, but will now be used to pay off the Dutch public debt. This measure directly affects the employment possibilities of young researchers, because these profits were mainly used for creating positions for post-docs and PhD students. Moreover, it is calculated that because of this measure in the next years about 5000 researchers, currently working in Dutch universities on education and research, will lose their jobs – with total cuts put at €627m.

Such structural reforms - especially the introduction of tuition fees - may be the focal point of debate about higher education in the coming months and years, rather than the money allocated directly to universities. But at a time of austerity, this could be relied on by universities to make up the funding shortfall. Indeed, the EUA reports that the financial sustainability of universities is under threat largely through the increase in student numbers.

POLAND: (ESTIMATE AT + 5% SINCE 2010 – BUT EXPECTED INCREASES FROM 2012 ?)

The Polish Ministry of Science and Higher Education introduced two major reforms changing both the administration of science and research as well as the higher education system. The reform of higher education aimed at modernising the system, introducing more rights for students, to simplify and facilitate academic career paths and to better integrate higher education with the business and labour market. One aspect of the reform is that there is now a limit on how many degrees a student can pursue for free– this could potentially pave the way towards the introduction of tuition fees, perhaps.

Alongside the reforms, the Government approved a slight increase in the higher education budget, from 9.759 PLN billion (c. €2.2 billion) in 2010¹⁹ to 10.215 PLN billion (c. €2.3 billion) in 2011.²⁰The EUA report also points to

¹⁵ Available at: <http://www.rnw.nl/english/article/dutch-2012-budget-rough-road-ahead>

¹⁶ Available at: <http://www.universityworldnews.com/article.php?story=20110204224932616>

¹⁷ Available at: <http://www.esib.org/index.php/News/press-releases/828-massive-numbers-of-dutch-students-and-professors-hit-the-streets.html>

¹⁸ Available at: <http://www.esib.org/index.php/News/press-releases/828-massive-numbers-of-dutch-students-and-professors-hit-the-streets.html>

¹⁹ Available at:

http://www.bip.nauka.gov.pl/_gAllery/98/61/9861/20100712_PLAN_FINANSOWY_na_rok_2010_r_w_czesci_38_-_Szkolnictwo_wyzsze.pdf

²⁰ Available at: http://www.bip.nauka.gov.pl/_gAllery/13/62/13620/20110404_Plan_na_rok_2011_cz_38.pdf [in Polish]

Poland as one of the countries that has so far not had to make swingeing cuts to its education budget. Indeed, according to Forbes.pl, the Ministry of Education is counting on having funds available to increase the budget.²¹ With a new Government now elected, it can be concluded from recent statements that education is to be protected in any future budget cuts. The new Minister of Higher Education Barbara Kudrycka, in her priorities for 2012, included ‘increasing higher education state funding’, improving quality of teaching and image of Polish education, focusing on international recruitment as well as responding to market demands. In her speech she underlined the importance of increased EU structural funds for development and modernisation of Polish higher education²².

PORTUGAL (ESTIMATE - 19.5 %)

Under the terms of the 2012 state budget, higher education and social education support funding come in for the single largest cut with around 19.5% sliced from its €1.14 billion budget for 2011 to leave the sector with €917.4 million in state funding for next year.²³ António Rendas, President of the Council of Portuguese University Rectors, argued that budget cuts would severely diminish the position of Portuguese higher education in relation to European competitors. He claimed that in Portugal, the cuts “greatly lacked transparency” and lamented that “very little information” had been provided by central government.

At the beginning of 2011, EUA reported that education would not be hit too brutally, saying that: *In the case of Portugal the situation is mixed, as a recent agreement between the government and rectors will provide a greatly needed investment of 100 million EUR for higher education which will alleviate the burden of cuts from previous years. This positive development may be halted by expected salary cuts in public administration that will affect university staff.* 2011 proved to be a miserable year economically for Portugal though, and with the acceptance of an IMF loan, and EU bailout, stringent austerity measures had to be enacted.

SPAIN: (ESTIMATES UP TO – 10 %)

The financial situation in some of the Spanish public universities has worsened owing to the announcements of extensive funding cuts in some regions of Spain. Spain’s economic crisis is beginning to hit top Spanish universities – including the Universidad Complutense, which joined The Europaeum in 2003. The Government’s austerity measures kicked in from January 2010. Although education was to be protected, the EUA information states that government funding commitments have been discarded in the wake of the financial crisis, thus, universities have been left – often mid-project – without the funding they were expecting. The result has been a number of student protests erupting in various parts of the country, with students and teachers expecting to be hit hard.

Spain recently held an election yielding a return of the centre-right and the end of the Socialist government, so correct statistics on the impact of austerity measures are not yet clear. The new Prime Minister, Mariano Rajoy, has warned he will “take the scissors to everything except public pensions, health and education”. Whether bond markets allow him to leave these three large areas of public spending untouched, remains to be seen.

On 11th January 2012 Spain’s Parliament passed the new conservative government’s first austerity measures. They are aimed at reducing the country’s massive deficit with 16,5 billion euros of spending cuts, as well as income and property tax increases. €600m will be slashed off of subsidies and loans for research and development. The announcement of severe government spending cuts on education led in January 2012 to large street demonstrations in several Spanish cities, with tens of thousands young protestors criticising the measures.

Finance Minister Cristobal Montoro responded: *“These are exceptional measures for exceptional times. These are measures to recuperate the credibility of our country. These are measures to say to everyone: society, investors and our European partners, that the Spanish government has made a commitment to correct our public deficit.”*

The precise and direct effects on higher education are hard to assess, and they will vary, though it is for sure that Spain today is not the place for optimism.

²¹ Available at: <http://www.forbes.pl/artykuly/sekcje/wydarzenia/przymiarki-do-budzetu-2012--beda-ciecica.14399.1>
[in Polish]

²² http://www.perspektywy.pl/index.php?option=com_content&task=view&id=4799&Itemid=1

²³ Available at: <http://www.theportugalnews.com/cgi-bin/article.pl?id=1136-21>

SWITZERLAND: (ESTIMATE + 3.1 %)

Switzerland provides some good news at the centre of surrounding gloom. Swiss universities do not expect any cuts in public funding as a result of the crisis. Indeed, the government has announced a 3.1% increase in its budget allocation for education and research: a rise, in absolute terms, of €6.3 billion.²⁴ The EUA report concurs with this finding, suggesting that Swiss universities are not likely to face immediate problems as a result of the crisis.

The keyword to watch is BFI: 'Vierjahreskredit des Bundes für Bildung, Forschung und Innovation'; the budget for education, research and innovation. Recent sources even speak of a 3.7 – 3.9 % increase in the BFI budget; state contributions to technical schools and universities are on the rise, coming down to 100 millions of Swiss Francs. The relative stable position of Switzerland during the current crisis gives way to optimism for Swiss higher education in the near future.

UNITED KINGDOM: (ESTIMATE UP TO - 40% OVER 2012-15 OFFSET BY NEW INCOME STREAMS)

At the end of 2010, the government announced a reduction of 56% in teaching capital and of 22.91% for the recurrent grant for teaching between 2010 and 2013.²⁵ The FT reports that: "between now [October 2011] and 2014-15, the share of national income spent by the state on education will fall from 6.4 per cent to 4.6 per cent... The DfE's cuts are also more front-loaded than most departments: half take effect in 2011-12, compared with one-third of all cutting across government."²⁶

The EUA is also bleak in its assessment: It has become clear in the UK that "higher education will have to take up to a 40% cut of its current budget until 2014-2015, as announced in the 2010 Comprehensive Spending Review. Most of this cut will affect universities' teaching budget, which will be reduced by up to 79%. Clearly this has serious long-term consequences for the future funding of UK higher education. It has now become evident that the high cost resulting from the loss of public funding will be covered by private contributions from students and is likely to follow recommendations proposed by the Browne Review in October 2010.

This is precisely what happened, and the fees' cap on how much universities could charge students rose from £3,000 per year, to £9,000. The coalition government expects that this may actually lead to universities getting *more* money, but the government has been criticised for not anticipating that almost all the universities would raise their fees to the maximum £9,000, meaning that in the short-term, the Treasury will have to pay more money as it provides low-interest loans to students to cover their tuition fees.

Interestingly, some professors have pointed out that the arithmetic of this new system of funding, with fees contributing a larger proportion relative to public funding, could lead to more money for the Humanities, which are cheaper to teach, but hurt the creative arts and social sciences, which are more expensive.²⁷

ADDITIONAL EUROPEAN PARTNER COUNTRIES

AUSTRIA: (ESTIMATE + 0.5% 2011, LEADING TO PROBABLE DECREASES FROM 2012)

The Austrian government intends to nominally raise the funding for higher education, from €2.836 billion in 2011, to €2.850 billion in 2012.²⁸ ²⁹ According to the EUA report, these were part of plans to increase higher education expenditure by 2% between 2013 and 2015, and may now have to be scrapped, as negotiations have clearly shown that a budget cut will be inevitable for this same period. The 2012 draft budget, initially suggesting a rise in spending, may therefore be revised. The European Institute reports that €20 million could be cut from the Austrian education budget over the next three years.

²⁴ Available at <http://www.vimentis.ch/d/publikation/210/Bundesbudget+2011+und+EU-Schuldenkrise.html> [in German], accessed on 21/11/11

²⁵<http://www.ecprnet.eu/MyECPR/proposals/reykjavik/uploads/papers/2808.pdf>

²⁶ <http://www.ft.com/cms/s/0/14c7e066-fe47-11e0-a1eb-00144feabdc0.html#axzz1drcKwplQ>

²⁷ <http://www.guardian.co.uk/education/2011/dec/12/humanities-tuition-fees>

²⁸http://www.bmf.gv.at/Budget/Budgetsimberblick/Sonstiges/Budgetsimberblick/Budget20092010/Gesamueberblick_2009_2010_neu.pdf

²⁹http://www.bmf.gv.at/Budget/Budgetsimberblick/Sonstiges/Budgetsimberblick/Budget2011/Budgetbericht_2011.pdf

BELGIUM (ESTIMATE DECREASES IN LINE WITH OVERALL BUDGET CUTS)

Both communities in Belgium have reported that their regional governments have abandoned previous plans to increase funding. Higher education in Belgium is organised by the regional communities. Belgium needs to cut spending or raise €9.6 billion in taxes next year, to meet a target of 2.8% budget deficit that it hopes will placate bond markets. According to the High Council of Finance, “to meet their respective goals in Belgium’s Stability Pact, the federal government and social security need cuts of almost €8 billion, while regional governments face €0.3 billion of cuts and local authorities face €1.3 billion of cuts.”³⁰

Belgium only recently formed a proper government, under Elio di Rupo, which ties in social democrats, liberals and Christian democrats, from both main language groups. It was formed, after Belgium went for a record-breaking 541 days without a government, largely as a result of the pressure from financial markets. It remains to be seen whether it will be able to govern effectively in the future, but one of its first acts was to pass a budget that cuts the deficit to 2.8% of GDP, amounting to cuts of up to €1.1 bn. If implemented, higher education is sure to be hit, though the exact percentage is unclear.³¹

IRELAND: (ESTIMATE – 6 %)

Cuts between 5 and 10% have been introduced in Ireland, where a cut of 9.4% in 2010 followed a 5.4% cut the previous year. The situation is becoming all the more worrisome as the measures taken to protect the Irish financial sector in 2010 will undoubtedly have dire consequences on the public budget for higher education.

The question of funding higher education in a time of austerity has come to centre on student fees in recent weeks, culminating in a number of student protests. *The Irish Times* reported that the Minister for Education, Ruairí Quinn, favours increases to the €2,000 student contribution charge – rather than the return of college fees averaging more than €5,000... However, other options – including a graduate tax – are also under discussion... Cuts in postgraduate research grants and maintenance support are also being considered... Fine Gael’s election manifesto also promised no further increase in third-level fees³²

The recently-elected, Fine Gael, won the general election in 2011 largely as a result of the financial crisis that hit Ireland at the end of 2010, which severely dented the popularity of the incumbent party at the time, Fianna Fail. As such, Fine Gael’s campaign promised economic competence and all that that concept entailed.

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³⁰<http://www.businessweek.com/news/2011-10-31/belgium-needs-9-6-billion-euros-of-cuts-to-meet-2012-budget-goal.html>

³¹ Available at: <http://www.guardian.co.uk/business/2011/nov/27/belgium-gets-coalition-government>

³² Available at: <http://www.irishtimes.com/newspaper/ireland/2011/1116/1224307640997.html>