

EUA's Public Funding Observatory (Spring 2013)

1. Introduction

EUA has been monitoring the impact of the financial crisis and the ensuing economic downturn on higher education institutions in Europe since 2008. The monitoring has been conducted in cooperation with EUA's collective members, the National Rectors' Conferences, who have provided continuous information on developments in their higher education systems. Feedback from various sources and current EUA projects has also fed into regular updates of the situation, which have clearly highlighted the evolving nature of the impact of the crisis on higher education institutions in Europe.

This year's edition of EUA's Public Funding Observatory is the result of a new, more ambitious methodology, which offers new possibilities to compare the evolution of public funding to higher education institutions (HEIs)¹ over time in the different European countries. The methodology is detailed in the present report.

This report also has as a main objective to give an overview of the latest developments in public funding of HEIs, exploring possible discrepancies between previous expectations for 2013 and budgets set since then.

Finally, the report highlights new findings for the overall period 2008-2013, including in particular the impact of inflation on the sector and how investment has often been reduced as a percentage of GDP.

Despite the challenges of the approach chosen, monitoring the impact of the financial crisis on higher education institutions aims to identify broad European trends. The collected data points to major divisions across Europe in terms of public investment in higher education institutions.

It is important to note that this report is best read in conjunction with EUA's Public Funding Observatory [interactive online tool](#) which contains data for each of the countries/systems considered in the analysis and will be updated on a regular basis.

2. Changes in methodology

This year's edition of EUA's Public Funding Observatory continues to rely primarily on the information provided by EUA's collective members, the National Rectors' Conferences. In 2013, 22²

¹ In the report the formulation "public funding for higher education institutions" is used as a general term to refer to the data collected by EUA for the Public Funding Observatory. However, the data collected differs as the figures for public funding to HEIs were not available for all systems and some have provided the data for public funding to the higher education and research sector (not only to higher education institutions) instead. To find out more, please look at the system data sheets that are part of the [PFO online tool](#).

² The data for Estonia was provided after the editorial deadline of the present report and could therefore not be taken into account for the analysis, it is however included in the [online tool](#).

countries/systems³ took part in the data collection, allowing for a good overview of the latest developments in funding for HEIs in Europe.

For its 2012 Public Funding Observatory EUA collected data for the period 2008-2012 from the National Rectors' Conferences, characterising funding levels through different categories to identify major trends in public funding for HEIs. However, further treatment of the data was limited. EUA therefore chose a new approach in collecting data for 2013.

Through a short questionnaire to the National Rectors' Conferences EUA collected absolute figures for public funding for universities for the years 2008 to 2013, in the national currency. This made it possible to treat the data by later adjusting it for inflation, comparing it with GDP data, etc. However, options to compare across countries/systems remain limited as the data is not necessarily computed on the basis of similar methodologies. Respondents were asked to provide the figures for direct public funding to higher education institutions.⁴ The questionnaire also sought to distinguish between public funding provided a) by all public authorities with a relevant role in higher education funding and b) by national public authorities only. Finally, respondents were asked to indicate whether the figures reported included, to their knowledge, European funds (such as structural funds).

In most systems the calculation methodology had not changed in the period considered, which allowed for robust comparisons over time for each country.⁵ Cross-country comparisons should be handled with caution; due to a lack of figures on funding to higher education institutions, four countries had to refer to funding for higher education and research in general. Finally, the figures reported generally do not include indirect public funding to higher education, such as the funding provided through agencies and intermediary bodies, or contributions to students (via grants, loans, or tax relief).

The second section of the questionnaire included questions regarding the areas affected by funding changes in 2013 and the type of impact associated to those. Respondents were also able to comment generally on the current debates related to funding of higher education in their countries/systems.

After a first analysis of the data provided, EUA followed up with all National Rectors' Conferences with additional questions in order to clarify specific points and enhance the comparability of the collected information. Contextual data on student numbers was also collected.

It is worth noting that not all participating National Rectors' Conferences were able to provide the necessary data (whether on funding or on student numbers), as this is not always centrally collected. The dataset is therefore incomplete, in particular for 2013, for which data was not always available at the time or is still a forecast or estimate (spring 2013).⁶

3. Latest developments: 2012-2013

Considering year-on-year changes, the picture for 2012-2013 is quite mixed: out of 17 systems for which data for both years was available, nine show a positive trend (funding increase) and eight show a negative one (funding cut). The situation can be summarised as follows:

³ The terminology "countries/systems" is used rather than "countries" only because of the inclusion in the dataset of the Belgian French-speaking Community (BE-fr), and of the United Kingdom (England and Wales) – no data was available for Flanders nor for Scotland.

⁴ See footnote 1.

⁵ Except Finland that could due to a substantial change in the calculation methodology not provide comparable data at this stage and is therefore not part of the present analysis.

⁶ The full data accompanied with notes is available from EUA's Public Funding Observatory [online tool](#).

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

It is important to note that this is calculated on the basis of the figures provided by the National Rectors' Conferences, which are not inflation-adjusted (as the inflation data for 2013 is not yet available).

This data is essentially consistent with the expectations that the National Rectors' Conferences had last year for 2013. Hungary expected further cuts of more than 10%, while Italy anticipated a certain degree of financial stabilisation. Figures for a number of countries are not available at this stage, making the comparison with previous expectations impossible. Finally, while Croatia hoped for stabilisation, it still faced a cut of more than 3% in 2013.

It is worth noting some exceptional figures on both ends of the spectrum. Iceland reports an increase for 2013 of more than 23% in comparison to 2012. This is partly explained by the increase in student numbers in 2011 and 2012 which is now reflected in the 2013 funding allocation. On the other hand, two countries face very severe cuts: about -25%, in Greece, and more than -19% in Hungary. This is all the more critical as both countries face a general downward trend over the period 2009-2013, with the difference (not adjusted for inflation) between those reference years amounting to about -46% in Greece and about -31% in Hungary. These are the worst situations recorded by EUA's Public Funding Observatory.

Universities' activities are affected in different ways from one system to another. In countries where HEIs have a higher degree of financial autonomy and receive their main funding through block grants, National Rectors Conferences could not always comment on which activities would be most affected by funding cuts or would benefit most from funding increases as this is a decision of each individual institution. In other cases, it proved difficult to differentiate between main areas (research, teaching, staff, and infrastructures) simply because the cuts were such that all activities would have to be affected in one way or another.

Nevertheless, a series of observations can be made. Ireland and Italy reported that research was particularly hit by funding cuts. Teaching (funding per student) was also a specific issue in Ireland as well as in England and Wales, where the transition from grant funding to increased student contributions still has an impact on funding figures in 2013. Interestingly, in systems where there were funding increases, research always benefited more than teaching, where increases were partly offset by rising student numbers at best. Wherever there were cuts, staff and infrastructures were the two areas most often affected. Cutbacks on **salaries and benefits** were specifically reported in Croatia, Greece, Ireland, Italy and the Netherlands. The two exceptions as regards staff were France and Poland, where extra financial means had recently been made available to universities: 1 000 new positions in France were to be created in 2013 in the sector, while in Poland an average increase of 9% on salaries was expected, after years of stagnation. Funding for **maintaining and developing infrastructures** was reduced in Croatia, Greece and Ireland, and for England and Wales

capital investment from public sources was actually reduced by about 50% over the period 2010-2014. An exception was Sweden, which reported funding increase for that area.

National Rectors' Conferences were also asked to specify, if possible, the foreseen impact of these developments on institutional behaviour as regards funding. One important finding is an even stronger focus on **European funding programmes**, notably the EU structural funds. In countries where research funding is being reduced or under pressure, the universities tend to turn to EU funds to maintain a certain level of research activity as well as for further infrastructure development.

In systems facing difficult funding situations, policies regarding **student contributions** (tuition and administrative fees) are sometimes evolving. In Spain, fees have increased by between 15% and 25%, depending on the region; in Ireland, fee increases are foreseen for 2013, 2014 and 2015. In Italy the ceiling on fees for students who exceed the standard duration of studies has been removed. However, in other systems, critical situations do not necessarily trigger this type of policy outcome. The Czech Republic, despite a difficult financial situation, has cancelled its previous plan to introduce fees. Greece even reports the intention of public authorities to reduce fees. In Germany, where the 16 federal states decide on student fees, most states have abolished them during the last few years and the rest has decided to do so in the near future.

4. The impact of inflation

In the 2012 EUA's Public Funding Observatory, it was reported that inflation played in some cases a significant role, mitigating much of the nominal increases sometimes observed. In this edition, thanks to the collection of absolute figures from the National Rectors' Conferences, it became possible to assess just how important this variable could be.

Eurostat data⁷ collected for the period 2008-2012 (2013 data was not available yet) reveals two main groups and one outlier from a sample of 22 European countries/systems for which EUA could collect funding data.

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 (fr), Croatia, Czech Republic, Denmark, France, Germany, Italy, Latvia, Netherlands, Norway, Portugal, Slovakia, Spain, Sweden
Less than 5% inflation	Ireland

One should note that again, the range covered is quite broad, with some extreme cases such as Iceland, where inflation rate skyrocketed to 38% when comparing 2012 to 2008. Hungary and Poland follow with more than 19% and 15% respectively. At the other end of the spectrum, Ireland reveals a slightly negative inflation rate of -0.25%.

In this edition of its Public Funding Observatory, EUA has compared the nominal change between funding received by higher education institutions in 2008 and the funding received in 2012, to the inflation-adjusted change. For many systems the inflation-adjusted change reveals a more serious picture. It is interesting to explore to which extent the figures change when taking into account inflation (in **bold**, countries that change category when considering the inflation-adjusted change):

⁷ [Eurostat](#) (data retrieved on 14/05/2013)

Evolution 2008-2012	When considering nominal change	When considering inflation-adjusted change
10% increase and above	AT, BE (fr), DE, IS, NL, NO, PL, SE	DE, NO, SE
Between 5% and 10% increase	FR, HR	AT, BE (fr)
Between 1% and 5% increase	-	FR, NL
Stable (from -1% to +1%)	-	-
Between 1% and 5% decrease	PT	HR, PL
Between 5% and 10% decrease	ES	PT, SK
Decrease superior to 10%	CZ, GR, HU, IE, IT, LT, UK	CZ, ES, GR, HU, IE, IS, IT, LT, UK

A few remarks can be made on the table above. While most countries drop to the category immediately below, there are four countries which move from the category “increase” to “decrease” once the correction for inflation is made. The most spectacular, as expected considering the inflation rate, is Iceland: its nominal change of more than +13% turns to more than -17% once inflation is taken into account. Croatia, Poland and Slovakia also register important differences. In its previous edition, the Public Funding Observatory already noted that the significant inflation rate was offsetting to a large extent the increases reported; once corrected for inflation, the change over 2008-2012 is actually more than -2% (against a nominal change of more than +12%).

It is essential to keep inflation in mind when considering the financial health of the sector over the entire period, because inflation mitigates the effects of a funding increase and worsens the effect of funding cuts. Those countries that have seen real increases in funding to higher education institutions remain a minority (a third of the countries in the table above), while two-thirds have faced sometimes dramatic cuts: Hungary and Greece have both cut funding for the sector by just over 30% during that period. Data for 2012 was not available for Latvia, but for the period from 2008-2001 there was already an overall decrease of more than 47%.

Thus the data confirms that the financial situation of higher education in the East and South of Europe is under extreme pressure, while countries in the North and West, with some exceptions, continue to fare better.

This finding is further confirmed when one analyses funding data in relation to the Gross Domestic Product (GDP) of the countries considered.

5. Funding and GDP

GDP data was collected from Eurostat⁸ for the period 2008-2013⁹. Based on the funding data reported by the National Rectors’ Conferences, public funding for higher education institutions was calculated as a percentage of GDP. While it is necessary to treat and interpret the data with caution, it is possible to consider some findings for a sample of 16 countries (some could not provide funding data for 2013; Belgium (fr) had to be removed from the sample since it made no sense to compare funding received by francophone higher education institutions with the GDP of the overall country).

⁸ Eurostat (data retrieved on 14/05/2013)

⁹ Please note that all GDP data for 2013 is a forecast only. For some countries this also applies to other years as the final data was not yet available at the time of retrieval.

One should also keep in mind that the figures provided generally do not include indirect public funding to higher education (such as funding from other agencies or contributions made to students and their families). Therefore, the analysis below could not necessarily reflect possible shifts in the nature of funding; it focuses here on the evolution over time, for each country, of public funding for higher education institutions as a percentage of GDP.

Out of 16 countries, seven feature a higher investment in higher education institutions in 2013 than in 2008 as a percentage of GDP. Nine countries, on the other hand, have a lower investment.

Evolution (2013 compared to 2008)	Country
2013 higher than 2008 (funding to higher education as a percentage of GDP)	Austria, Croatia, France, Iceland, Netherlands, Poland, Sweden
2013 lower than 2008 (funding to higher education as a percentage of GDP)	Czech Republic, Greece, Hungary, Italy, Lithuania, Norway, Portugal, Slovakia, UK (England and Wales)

A few cases may seem surprising at first glance: this is notably the case of Norway, where, despite a constant and sizeable increase in funding to higher education institutions, investment as a percentage of GDP has decreased over the period; this is due to even larger increases in GDP during the same time.

There are also different types of trajectories over the period from 2008-2013: constant decrease (Hungary, Italy, Lithuania, Norway, UK), negative trends since then (partially or fully) corrected (Czech Republic, Poland), and trends that were positive but now show a negative outlook (Croatia, Portugal).

6. Funding and student numbers

The dataset for student numbers covers 17 countries/systems for the period 2008-2011, and 11 for the period 2008-2012. For the analysis, the data set for the period from 2008-2011 was used as it covers more countries. For those countries where data was also available for 2012 the previous trends can be confirmed.

The relation between the developments in funding in a system and the evolution of its student population is a complex one. Many other criteria may come into play when deciding on funding allocation, but some funding systems may also relate directly to this data. When such a relation exists, for instance through the funding formula, there may also be a time-lag before a significant change in student numbers is reflected in the funding allocation. Keeping these points in mind, data on student numbers remains an interesting element of contextual information in this matter.

Nine of the 17 systems considered here had a student population that grew by more than 10% over the period, indicating an additional pressure on the universities' finances and mitigating the funding increases sometimes granted to the sector. An exceptional case here is Turkey, which saw its student population rise by almost 50%, following a policy of expansion of higher education. Four countries saw their student population rise by less than 10%, and finally three had decreasing student numbers, sometimes quite dramatically (in Latvia for instance, student numbers were reduced by about 16% over 2008-2011).

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 this context, the overall decrease in funding (inflation-adjusted figures for the period 2008-2011, to correspond to the period considered for student numbers) experienced by universities in Croatia and Ireland, where student numbers have been rising by over 10%, is all the more alarming. In the UK, public funding is decreasing while student numbers are increasing by just over 8% — however, the particularities of this system in transition, which following a political decision by the current government to fundamentally restructure the funding system now relies more on student contributions, make it difficult to compare it to other systems. Finally, the four countries that saw decreases in their student populations are also subject to funding cuts. Among those, the situation in Latvia is critical, as students simply leave higher education or seek education abroad. Germany also faces an array of challenges in the sector. On the one hand there is a constant demographic decline in the long run. On the other hand in the short run the abolition of the obligatory military service leads to more young people entering higher education earlier, and the restructuring of secondary education in recent years in several federal states leads to the simultaneous arrival of two age cohorts. In all cases, this is a crucial aspect of financial planning for universities.

The financial pressure exerted on universities by changing student numbers is real. Decreasing student populations — which may result from a larger demographic issue or from the economic difficulties in the country — are a reason for concern in several countries for a variety of reasons, the first of which being that it makes it more difficult for a country to build up human capital. For universities even decreasing student numbers do not necessarily mean decreasing costs, at least not in the short term, since a large part of the costs are fixed (for instance infrastructure maintenance).

7. Concluding remarks

The analysis of the data provided by the National Rectors' Conferences in 2013 confirms the observations made in the previous editions of EUA's Public Funding Observatory. Variations result from the change of methodology and the fact that the figures usually do not include indirect public funding, which may have a significant impact.

The 2013 Observatory also provides a more accurate picture of the financial pressures faced by the higher education sector, by taking into account inflation and student numbers, and highlights again the risks of a widening gap between the different parts of Europe in this matter.

In countries where funding is being cut, universities increasingly look towards funding other than "traditional" public funds to support their activities; since the possibilities with the private sector remain limited in times of economic crisis, universities place their hopes on European funding — whether through the EU research programmes or the structural funds. But EU funding programmes are not meant to provide substitutes for national funding schemes, which need to remain strong to uphold Europe's competitiveness. In addition, financially weaker universities from the most affected countries are less able to take part in European research consortia, given their decreased co-funding capacity.

As expectations towards EU funds have grown, it is essential that, at a time where rules for participation in these programmes are being redefined, the EU institutions acknowledge broader economic development trends and the need to fund activities on a full cost basis. EUA has made

these arguments in the framework of the negotiations concerning the next generation of European funding programmes, and in particular Horizon 2020.

Across Europe, and regardless of how much public funding is reduced, a common feature is that expenses linked to infrastructure maintenance and development are the first to be cut, whether directly by public authorities or as a result of the universities' own decisions. While this issue can be partly addressed in some regions of Europe through support from structural funds, this remains a worrying development. Campuses should be seen as strategic assets. Ageing facilities and equipment will necessarily trigger increasing costs for institutions and deteriorate teaching and research environments. In the long run, challenges linked to the need for continued investment in existing infrastructure will need to be considered.

In this context, the efficiency of funding in terms of the capacity to meet certain policy goals in a cost-effective way is becoming increasingly important. It is essential to re-think the design and implementation of higher education funding policy and to enhance funding efficiency in the sector.¹⁰

The European University Association also reaffirms that funding for higher education institutions should not be seen by European governments as expenditure but rather as an investment in Europe's future, and that increased investment in higher education and research is a way to help European countries out of the economic crisis.

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¹⁰ EUA's "DEFINE" project makes funding efficiency in higher education the main focus of research and activities, providing data and recommendations which will support the development of strategies to increase the efficiency of funding. More information is available on the [website](#).