

Public Funding Observatory

EUA
Public Funding Observatory
2014

Contents

Introduction.....	2
1. Evolution of the Public Funding Observatory.....	3
2. Latest developments: 2013-2014.....	5
3. Overall trend for the period 2008-2014.....	9
Systems with rising levels of public funding (increase superior to 5%)	11
Systems with “stable” levels of public funding (overall fluctuation between -5% and +5%)	13
Systems with declining levels of public funding (decrease superior to -5%)	15
4. Funding and student numbers	17
5. Funding and GDP	19
6. Concluding remarks.....	20
Table 1 Higher Education systems included in the Public Funding Observatory 2014 Edition.....	2
Table 2 Evolution of public funding between 2013 and 2014.....	6
Table 3 Evolution of public funding between 2008 and 2014.....	10
Table 4 Inflation rate between 2008 and 2014	11
Table 5 Evolution of student numbers between 2008 and 2014.....	17
Table 6 Evolution of public funding to higher education institutions as a percentage of GDP	19
Graph 1 Evolution of public funding 2013-2014 (adjusted for inflation).....	5
Graph 2 Evolution of public funding 2008-2014 (adjusted for inflation).....	9
Graph 3 Countries/systems with increasing public funding over 2008-2014	12
Graph 4 Countries/systems with stable public funding over 2008-2014.....	14
Graph 5 Countries with declining public funding over 2008-2014 (real and nominal change)	16
Graph 6 Evolution of student numbers between 2008 and 2014.....	18

Introduction

EUA has been collecting data on the level of public funding received by higher education institutions since 2008, and through this established the Public Funding Observatory. This has enabled EUA to identify trends and keep track of the evolution of funding for universities in the context of straitened economic times. The continued input of EUA's collective members, the National Rectors' Conferences, who have provided numerical data and qualitative information for respective systems, has been crucial to compile the analytical report and create the [online tool](#). Without their valued participation, such an exercise would not be possible.

The 2014 report is based on data provided by the National Rectors' Conferences during spring and summer 2014. The report looks at the year-on-year change in the level of public funding, as well as the long-term evolution since 2008, the level of funding in relation to GDP and also in relation to the size of the student population. Five new systems (Belgium-Flanders, Finland, Luxembourg, Slovenia and Serbia) have also been added to the analysis this year, enabling EUA to broaden the scope of the Public Funding Observatory to 28 higher education systems in Europe. It has been possible to correct some past data as final figures replaced previous estimations and forecasts. The methodology behind the analysis has undergone a small evolution, with the calculation of an interim inflation rate for the current year to give a real-terms value of the current year's budget.

It should be noted that in two countries, a single comprehensive national dataset is not available. As higher education is not a federal competence in Belgium, both Communities (Flanders and the French-speaking Community) report data separately and are therefore treated as two systems in the analysis. For the United Kingdom, there is no single dataset available because teaching funding is devolved to Scotland, Wales and Northern Ireland. Therefore the report takes into consideration teaching funding for England and direct research funding for the whole United Kingdom. However, Germany and Spain are each treated as one system because data was reported at the level of the country rather than at the level of the different regional entities (*Länder* and *Comunidades*).

In this report, changes to funding levels are analysed alongside qualitative data about what is happening with respect to funding policy, in order to give some context to the results. The report thus usefully complements the [Public Funding Observatory online tool](#), which contains all the data under analysis and shows in more detail the basis of the calculations.

Table 1 Higher education systems included in the Public Funding Observatory 2014 edition

Austria	Italy
Belgium – Flanders	Latvia
Belgium – French-speaking Community	Lithuania
Croatia	Luxembourg
Czech Republic	Netherlands
Denmark	Norway
Estonia	Poland
Finland	Portugal
France	Serbia
Germany	Slovakia
Greece	Slovenia
Hungary	Spain
Iceland	Sweden
Ireland	United Kingdom

1. Evolution of the Public Funding Observatory

EUA is pleased to include five new systems in the Public Funding Observatory for the first time in 2014. The Flemish Interuniversity Council, Universities Finland, the University of Luxembourg, the Conference of the Universities of Serbia, and the Slovenian Rectors' Conference have all submitted data for the first time, including retrospective data from 2008 to 2014, where available. This brings the total number of systems analysed in the Public Funding Observatory to 28, broadening the geographical comprehensiveness of the analysis.

National Rectors' Conferences were invited to fill in and update the same form as in 2013, enhancing consistency over time and offering the possibility to correct previously submitted figures. Public funding in this report is therefore defined as in the previous edition (public funding by national and, in federal structures, regional public authorities granted to higher education institutions). It should be noted, however, that funding data is nevertheless computed in different ways in the various higher education systems referred to in this report.¹

Several systems have also provided updated funding figures and student numbers; where these have been amended, it is noted on the datasheet of the respective system that can be downloaded via the [online tool](#). Notable examples of this include student number corrections for Poland and Spain. Revised funding figures from 2008 onwards have been provided for the United Kingdom and Denmark.

There has been one further development of the methodology implemented this year. For the first time, the interim inflation rate for the current year has been integrated into the inflation-adjusted results. In previous years, given that the Public Funding Observatory is published mid-year, the inflation-adjusted total was only provided up until the preceding year because inflation rates are typically calculated on a twelve-month annual cycle.

The provisional inflation rate for 2014 has been extrapolated from an average of the first five months of the year, using Eurostat data.

1. The rate of growth in consumer prices for the first five months of 2014 was calculated:

$$\frac{\textit{Monthly growth rate in May 2014} - \textit{Monthly growth rate in December 2013}}{\textit{Monthly growth rate in December 2013}}$$

2. One was added to this rate, and then an average of this rate was calculated:

$$\textit{Rate of growth for first five months of 2014}^{\frac{1}{5}}$$

3. This was then raised to the power of 12 to arrive at a provisional rate for the entire year:

$$\textit{Average rate of growth}^{12}$$

While it was felt that this brings additional accuracy to the results by providing an up-to-date assessment of the real-terms value of public investment, it is necessary to add the caveat that this

¹ The Public Funding Observatory online tool makes available datasheets which include the detailed data, definitions used and sources for each system.

rate is provisional and is therefore subject to change. Variations in the second half of the year may affect the annual average, which should be borne in mind when looking at the totals.

It should also be noted that, for non-Eurozone countries, the conversion rate used is that of June 2014, which was applied to all data (thus modifying slightly the data for non-Eurozone systems which were previously converted using the rate of April 2013).

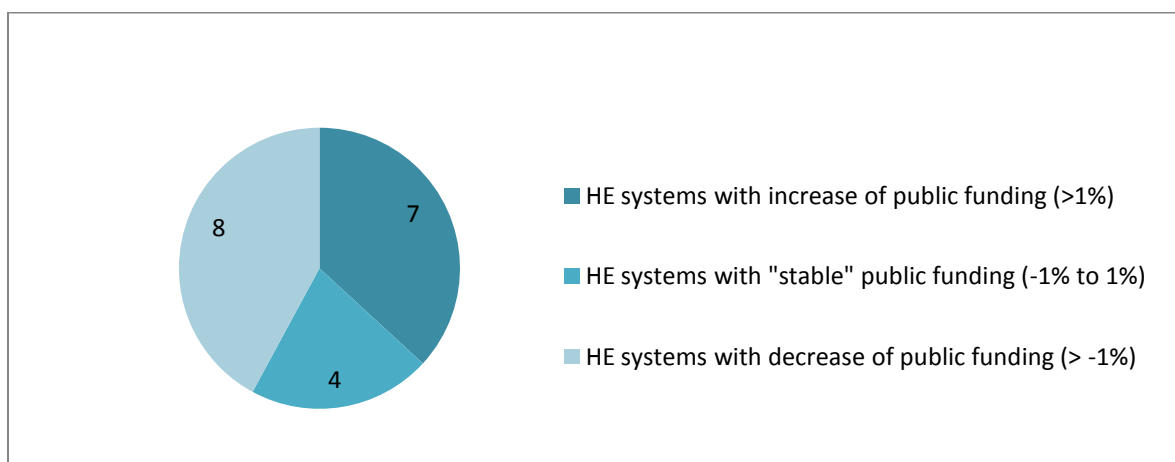
2. Latest developments: 2013-2014

Analysis of this year's changes shows again the importance of looking beyond the nominal figures. To have a more accurate understanding of the situation it is essential to take account of other elements such as the inflation rate and the development of student numbers. It is particularly important to keep inflation in mind when considering the financial health of the sector over the entire period, because this limits the benefits of funding increases and accentuates the effect of funding cuts.

The findings show that although most systems have consistent funding trajectories since 2008, there are some notable exceptions. The data shows that, in Portugal and Poland, steady declines have been stopped and even reversed over recent years. Comparing these long-term trends against the most recent year-on-year changes is also revealing; in Hungary, this year marks the first annual funding increase since the start of the Public Funding Observatory.

In terms of nominal funding, public funding is increasing in more systems (8) than it is decreasing (5), with seven countries remaining within the +1% to -1% range. As mentioned, to show the impact of inflation, the provisional inflation rate for 2014 has been extrapolated from an average of the first five months of the year. When this is applied, it becomes apparent that there are in fact slightly more systems that are experiencing a drop in funding (8) than an increase (7), with only four remaining stable. It is also evident that, in some systems, nominal stability represents a cut in real terms.

Graph 1 Evolution of public funding 2013-2014 (adjusted for inflation)



The table below categorises higher education systems according to the degree of change in public funding received for 2013 and for 2014, both nominally and adjusted for inflation. This covers 19 of the 28 systems for which data was provided. It should be noted that only the systems for which the 2014 data is available are included in the table above; Serbia is not included in this table because there is no Eurostat data available to calculate a provisional 2014 inflation rate. In Belgium (Flanders), Finland, Germany and Luxembourg the most recent data available is for 2013 and for 2012 in Denmark, Estonia, France and Latvia.

Table 2 Evolution of public funding between 2013 and 2014

Evolution 2013-2014	Country/system	
	change adjusted for inflation (calculation including provisional 2014 rate)	Nominal change (not adjusted for inflation)
10% increase and above	Portugal	Portugal
Between 5% and 10% increase	Poland	Norway , Poland
Between 1% and 5% increase	Belgium (fr), Hungary, Iceland, Norway , Sweden	Belgium (fr), Hungary, Iceland, Netherlands , Sweden
Stable (from -1% to +1%)	Austria, Czech Republic, Italy, Netherlands	Austria, Croatia , Czech Republic, Italy, Slovakia , Slovenia
Between 1% and 5% decrease	Croatia , Slovakia , Slovenia , Spain	Spain
Between 5% and 10% decrease	Ireland, Lithuania	Ireland, Lithuania
Decrease superior to 10%	Greece, United Kingdom	Greece, United Kingdom

In bold: systems that change category when inflation is taken into account.

Notable changes (inflation-adjusted):

- **Portugal** experienced the greatest rise in funding, increasing its budget for higher education institutions by just under 20%. This is the first increase since 2010, following three years of cuts. This rise in funding is intended to offset a rise in employment costs arising from increased social security and pension costs faced by universities in Portugal.
- **Poland** reports the second largest positive change in public funding recorded in this year's Public Funding Observatory, with an increase of just under 8%. This follows a rise of 5% in 2013.
- **Hungary** stopped the decline in university funding for the first time since the Public Funding Observatory started collecting data in 2008, recording a small real-terms increase in funding of just over one percent.
- **Lithuania** recorded large cuts in university funding of nearly 10%. This represents the resumption of budget reduction following a temporary stabilisation in the level of funding in 2013.
- In the **United Kingdom**, the level of funding for higher education has been cut by over 10% for a third consecutive year, as England continues to transfer the cost burden for teaching activities to students via increased tuition fees.
- **Ireland** has experienced a similar series of cuts to the United Kingdom, with a real-terms drop of just under 10% in 2014. However, there has been no increase in tuition fees to offset this decrease in public funding in Ireland.

- **Greece** continues to cut back on higher education funding, with a drop of around 11% this year, following a 24% cut in 2013. It should be noted that these figures do not include staff costs, as university staff are civil servants and as such are concerned by across-the-board cuts in the public service.

The changes in funding reported affect universities' activities differently across Europe, as described in the following paragraphs.

Research funding cuts were made in Slovenia (over 10%), Spain, Greece (continuing last year's trend) and Ireland. In Ireland, public authorities expect that universities will improve their performance in attracting funding under the new EU Framework Programme Horizon 2020 and thus partially offset decreases in public research funding. However, the Irish Universities Association reports that the ongoing cuts to research funding are already having a negative impact on universities' capacity to attract and retain top researchers and academics, which in turn will make it harder to win more European research funding.

Conversely, Norwegian public authorities have provided extra research funding aimed at increasing the number of doctoral candidates.

Regarding **teaching funding**, the United Kingdom is on track to decrease the teaching grant as a proportion of overall higher education funding from 64% in 2011-12 to a projected 17% in 2015-16, with this cost being transferred to students. It is to be noted that home and EU students have access to government-backed student loans which are repaid on an income-contingent basis, and which are subsidised in the sense that interest rates are directly linked to inflation and that the loans are written off after a certain time period. In fact, a [recent report](#) ordered by the House of Commons estimates that in the long term, 45% of the student loan book will not be recuperated by the government.

Teaching funding has also been cut in Ireland. Indeed, the Irish Universities' Association reports that, in the context of decreasing public funding and increasing student numbers (up by 1.6%), teaching funding per student has fallen by 16% this year.

In the Netherlands, while teaching funding has remained stable, it is worth noting that the student population rose by 3.53% in 2013/2014.

Measures taken in the area of staffing at national level have a strong impact on universities in a number of countries. They provide the rationale for cuts in Croatia, with a decrease in staff bonuses for length of service.

In Spain, there are ongoing restrictions on staff recruitment imposed at national level. Similarly, there is a restriction on the replacement of staff departures in Italy, with only 50% of positions (weighted by seniority) permitted to be recruited again.

In Ireland, pay cut and headcount reduction schemes have continued in 2014. In addition, it is required that new entrants are appointed at the lowest grade of a new and reduced pay scale. This negatively affects the universities' ability to attract and retain staff.

More positively, Austria reports a general increase in salaries by 2.1%, albeit in the context of a three-year funding cycle. In Poland, university staff salaries have risen by 9% on average, the second consecutive year that salaries have increased after several years of wage freezes.

University campuses continue to be subject to long-term funding cuts in some systems, with the impacts of these cuts highly visible in comparison to other areas. Infrastructure funding levels sustained significant reductions in Greece, Ireland and Spain. As part of a wider cut in public capital investment, universities in the United Kingdom also continue to receive less funding for infrastructure, with the cut for teaching infrastructure even greater than for research.

Norway and Sweden buck this trend by specifically targeting university infrastructure as an area for increased public investment. Elsewhere, the Slovenian Rectors' Conference reported that EU structural funds are used for capital investment in universities, a practice developed in other countries although not necessarily reported here.

Parallel to changes to funding of particular activities, there have been evolutions in the level of **tuition fees**. On the one hand, Germany has moved towards complete removal of tuition fees, and in the Czech Republic public authorities dropped plans to introduce student fees.

On the other hand, increases in fees in Spain and Ireland have been implemented to partially offset cuts in public funding. Irish students have seen the "student charge" increase by €250 annually since 2011, with the 2014-15 level set at €2 750 and the 2015-16 level at €3 000. Meanwhile, the core grant received by universities has decreased correspondingly, on top of further funding cuts.

The increase in tuition fees in the United Kingdom² has been even more dramatic, with students now paying £9 000 per year, compared with £3 000 prior to 2012. The teaching grant is decreasing in parallel with this as an increasing proportion of students fall under this new fee regime.

The Dutch Government has removed the possibility for universities to charge differentiated tuition fees for second Bachelor and Master's degrees. This has a knock-on effect as these courses are not taken into account when calculating institutions' public funding.

The **sustainability** of higher education funding is clearly high on the public policy agenda in a number of systems featured in the Public Funding Observatory.

Latvia reports that the Government is actively considering three different funding model reforms in an effort to bring about greater funding efficiency.

Likewise, in Ireland an expert group has been commissioned to explore possible funding reforms with the aim of improving sustainability. This group is due to report back by the end of 2015.

In Denmark, this debate has taken on a particular focus on student numbers, with policy makers starting to consider whether the system can sustain its current scale and whether the graduates produced fulfil the demands of the labour market.

² Scotland excluded

3. Overall trend for the period 2008-2014

Using the 2014 public funding data, it is possible to monitor the overall evolution in the level of funding since the establishment of the Public Funding Observatory in 2008. As for the year-on-year change, this evolution is presented both in terms of nominal investment and adjusted for inflation. It should be noted that Denmark, Estonia, France and Latvia are excluded from this table because the most recent data available are from 2012. Finland and Luxembourg are also excluded as the comparisons can be drawn only for the period 2010-2013 for the former, and 2009-2013 for the latter.

Graph 2 Evolution of public funding 2008-2014 (adjusted for inflation)

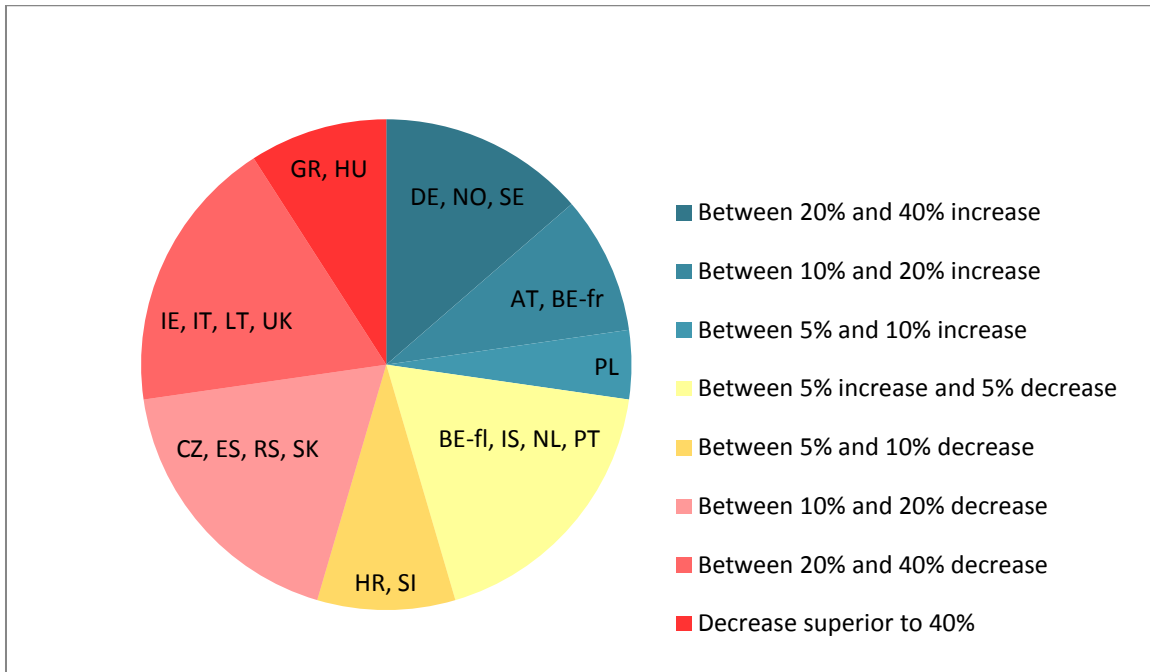


Table 3 Evolution of public funding between 2008 and 2014

Evolution public funding 2008-2014	Country/system	
	change adjusted for inflation (calculation including provisional 2014 rate)	Nominal change (not adjusted for inflation)
Increase superior to 40%		Iceland
Between 20% and 40% increase	Germany,* Norway, Sweden	Austria, Belgium (fr), Germany,* Norway, Poland, Serbia, Sweden
Between 10% and 20% increase	Austria, Belgium (fr)	Belgium (Flanders),* Netherlands
Between 5% and 10% increase	Poland	Croatia, Portugal
Between 5% increase and -5% decrease	Belgium (Flanders),* Iceland, Netherlands, Portugal	Slovenia, Slovakia
Between 5% and 10% decrease	Croatia, Slovenia	Czech Republic, Spain
Between 10% and 20% decrease	Czech Republic, Serbia,† Slovakia, Spain	Italy
Between 20% and 40% decrease	Ireland, Italy, Lithuania, United Kingdom	Hungary, Ireland, Lithuania, United Kingdom
Decrease superior to 40%	Greece, Hungary	Greece

* data for 2014 was not available, so the trend is calculated on the period 2008-2013

† Eurostat inflation data is unavailable, so World Bank data has been used. Therefore, even though 2014 data was provided, the trend is calculated up to 2013, as the provisional 2014 inflation rate cannot be calculated with World Bank data.

In a large majority of systems public funding for universities has either expanded or contracted within the monitored period. This highlights the fact that public funding remains in a state of flux, even in countries which are not implementing far-reaching reforms, such as the United Kingdom. In some countries where universities have experienced sustained cuts, it is clear that the consequences of the economic crisis are still resonating. In other systems, funding for universities has been ring-fenced and even increased; the extent to which this is because the crisis had less effect in these countries or because a conscious decision was taken to protect and prioritise investment in universities is open to debate. Even in systems where the funding has remained nominally stable (in the range between a 5% decrease and 5% increase over the period), there have been variations over the six years before returning to stability.

Taking inflation into account, the number of countries that have cut university funding by more than 5% is double the number that have increased it by the same margin (12 to 6). Only in four systems does the level of investment remain at the level comparable to that of 2008 (within a range of +/-5%).

Because of high and sustained levels of inflation, in some systems nominal increases in funding represent cuts in real terms. The most extreme example is Serbia, where the 32% nominal increase in funding since 2008 represents a 10% cut when inflation is taken into account. Iceland is another example.

Table 4 Inflation rate between 2008 and 2014

Inflation over the period 2008-2014 (for 2014: provisional inflation data used)	Country/system
40% inflation and above	Iceland, Serbia*
20% inflation and above	Hungary
10% inflation and above	Austria, Denmark, Estonia, Finland, Croatia, Italy, Lithuania, Latvia, Luxembourg, Netherlands, Norway, Poland, Slovakia, Slovenia, United Kingdom
Between 5% and 10% inflation	Belgium, Czech Republic, Germany, Spain, France, Greece, Portugal, Sweden
Less than 5% inflation	Ireland

*Up to 2013, as no provisional 2014 rate can be calculated

The following country-focused descriptions show that changes in student numbers must also be taken into account when evaluating the level of investment in order to provide a real picture of the funding environment for universities.

Systems with rising levels of public funding (increase superior to 5%)

Several systems have been steadily raising the level of public investment in real terms over the period 2008-2014, often to enable universities to cater for rising student numbers.

Sweden and **Norway** lead the way, having both increased the level of funding by around 23% in real terms. Both countries also report two of the highest university funding to GDP ratios of the countries considered in this analysis (see chapter 6). Importantly, these funding increases outstrip the growth in the student population, with student numbers up 7.5% in Sweden and 17% in Norway over this time period; this disparity also suggests a difference in the real investment per student between the two countries.

While information for the current financial year for **Germany** is not yet available, a strong upwards trajectory mirroring Sweden and Norway is apparent up to 2013, with funding also having risen by around 23%. A great part of this increase in funding to German universities is to cover the costs of rising student numbers following the abolition of the obligatory military service and the restructuring of secondary education in recent years in several federal states. This led to the simultaneous arrival of two year-group cohorts.

To a lesser extent, this positive trend of increasing investment is found as well in **Austria**, with an increase of 18% over the period. It is worth noting that the Austrian funding system is one of the few systems awarding public funding on a three-year basis, giving a significantly greater degree of financial security to universities. However, student numbers have increased by 23% since 2008, restricting the impact of this increase in funding. Although public funding data are not available after 2012, **Denmark** showed a similar profile, with an increase in funding of 18% (2008-2012), in a context of an expanding student population which rose by 32% between 2008 and 2013.

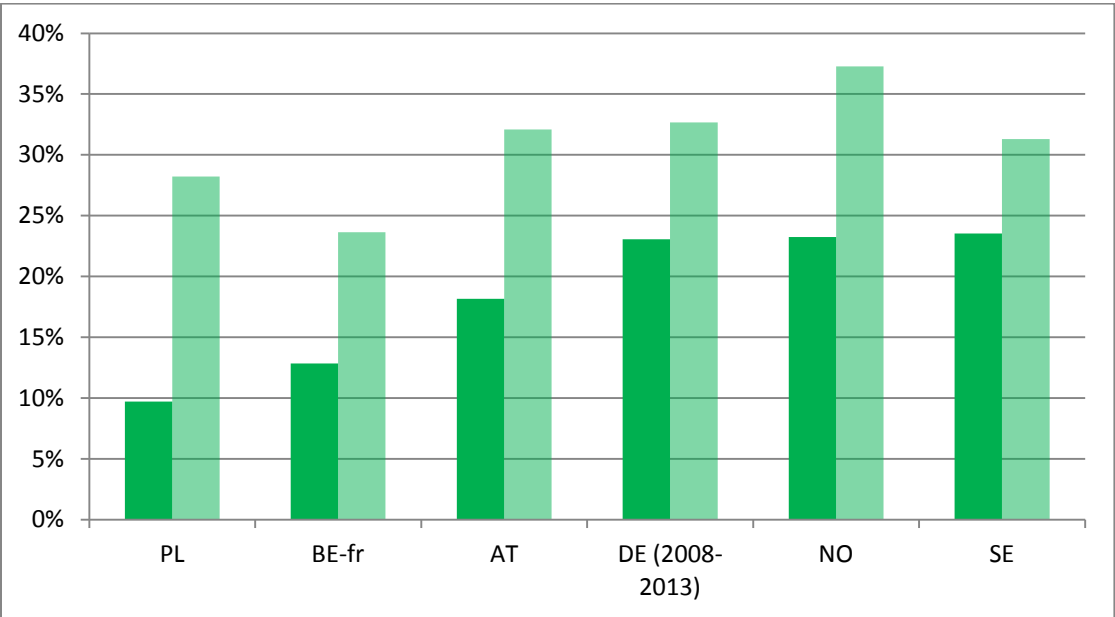
Two other countries report long-term funding increases, albeit to a lesser extent. In **Poland**, public funding has risen by 9.7% since 2008. This is in a large part due to a significant boost in funding in the past two years, as mentioned above, but also because of the declining inflation rate, boosting the value of this investment. This makes Poland the only eastern European country monitored by the Public Funding Observatory that has increased the level of funding between 2008 and 2014. Even more notably, this has occurred in the context of decreasing student numbers (down 9% between 2008 and 2012). This has helped to unfreeze salaries of university staff, who after several years of inflation-eroded wages, will receive an average pay rise of 9% in 2014. It may also be noted that Poland was the only EU country that was able to avoid recession following the financial crisis, which may have contributed to this increased investment in higher education.

In **Belgium**, universities of the **French-speaking Community** have seen a real-terms increase between 2008 and 2014 of just below 13%. However, student numbers have increased significantly, with the latest data available (from 2011/2012) showing a 25% rise in student numbers since 2007/2008. A reform of the funding system for French-speaking universities is expected in the next two years, with the sector advocating for the end of the “closed envelope” principle, whereby a gain by one institution means a loss by another.

Luxembourg is not included in the table and chart above because data is only available for the years from 2009 to 2013. However, it is notable that even over this shorter comparison period, there has been a dramatic real-terms increase of over 64% in the level of public funding for the University of Luxembourg, which is the main higher education provider in the country. This is by far the greatest increase registered in this year’s Public Funding Observatory, albeit in a system that distinguishes itself from the rest with only one university and a student population below 7 000.

While increases in the level of public funding are welcomed, it should be noted that costs for higher education and research might have risen above the rate of inflation, affecting the funding rises in these systems.

Graph 3 Countries/systems with increasing public funding over 2008-2014



The first column for each system shows the inflation-adjusted evolution of public funding; the second column represents nominal change.

Systems with “stable” levels of public funding (overall fluctuation between -5% and +5%)

A minority of systems find themselves in a seemingly stable long-term funding environment.

Three countries are not represented in the table above (and graph below) because of the shorter timespan covered by the datasets available. **Estonian** higher education institutions have received stable funding for their teaching activities³ (+1.36%) between 2008 and 2012. The inflation-corrected increase in public funding for universities in **Finland** is limited, standing at 2.78%. However, this is calculated over the period from 2010 to 2013, as the most recent funding data is not yet available and pre-2010 data cannot be used for meaningful comparison because of the funding reform implemented that year. **France** shows a slightly higher overall increase over the period from 2008 to 2012, just under 4% in real terms. However, there is concern among French universities that the upcoming budget decisions for 2015 do not compensate them for rising structural costs and the financial challenges related to ongoing merger and concentration processes. The sector also worries about the possibly diminishing funds dedicated to higher education and research in the 7-year contracts between the state and the regions being currently negotiated. The figure above should also be seen in relation to the increasing student population in France (up by 7% over the same period).

In **Belgium**, university funding in **Flanders** has remained stable with a small inflation-corrected increase of just over 1% between 2008 and 2013 (the most recent figures available). However, the financial pressure on universities is high as student numbers have gone up by approximately 30% in the same period. Universities are facing the additional challenge of integrating the academic programmes that have been transferred to their control from university colleges, a process that is also only partially financed by public authorities. This change is expected to prompt a review and possible modifications to the funding formula currently used to determine funding for Flemish universities.

Most of the cases falling into this category have undergone significant variations before returning to stability. **Iceland** is one telling example; the country has enjoyed a nominal rise in investment of over 40% since 2008, but when the rampant rate of inflation is taken into account, the 2014 level of funding represents a 0.57% real-terms decline on 2008 levels. It should be noted that Iceland had already undergone drastic budget cuts before 2008 following the financial crisis which hit the country earlier than other European countries. At the same time, the student population has increased by about 10%, notably as the public authorities have encouraged the unemployed to return to education. Overall, it is apparent that the sector is still only starting to recover from previous budget cuts that have forced universities to cut some services and increase class sizes. A newly-launched

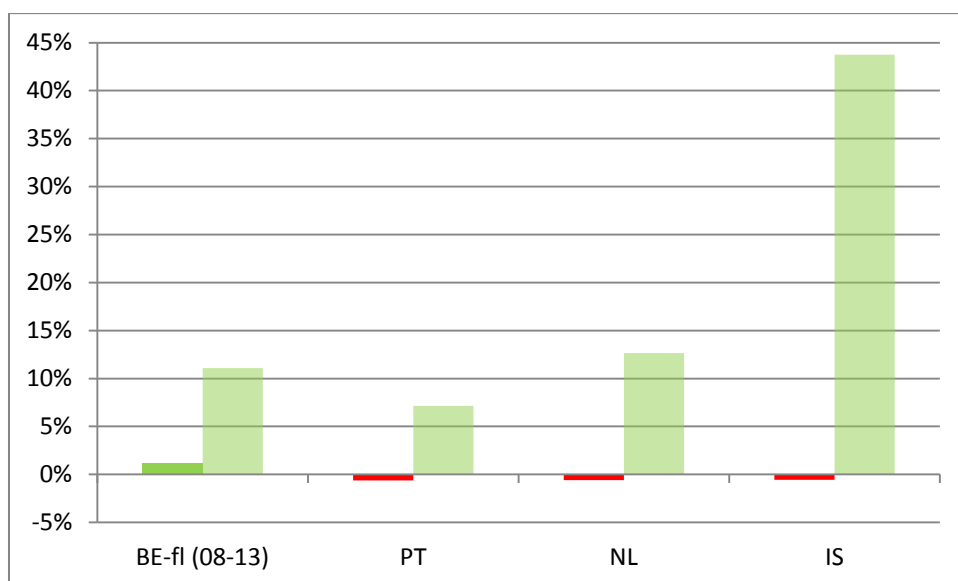
³ Data related to research funding received by Estonian higher education institutions could not be made available at the time of writing.

public scientific policy aims to increase public higher education funding to reach the OECD average in the medium term.

Portugal is another country where the long-term trend shown in this year’s Public Funding Observatory (down 0.63% since 2008 taking inflation into account) obscures a more detailed narrative. In fact, Portuguese universities suffered major cuts from 2005 until 2013, losing around €200 million over that time (€135 million were already cut between 2005 and 2008, though this falls outside of the period considered in the analysis). Thus the supplementary €100 million granted in 2014 does not entirely offset the longer-term decline in funding. Moreover, it is to be noted that this funding is intended to compensate increasing costs related to social security and retirement schemes following government employment reforms. Over the same period, student numbers have grown by just under 8%, increasing the pressure on institutions.

In **the Netherlands**, fluctuation in public funding since 2008 has remained within a 5% range of 2008 funding levels at all times, resulting in 2014 in a slight inflation-corrected decrease of 0.6%. However, financial pressure on Dutch universities is rising as the Dutch government has removed the possibility of charging higher fees for courses that have been designated as “excellent” by the national quality assessment agency, and has ordered universities to charge lower tuition fees for second degrees.

Graph 4 Countries/systems with stable public funding over 2008-2014



The first column for each system shows the inflation-adjusted evolution of public funding; the second column represents nominal change.

Systems with declining levels of public funding (decrease superior to -5%)

Thirteen systems have cut funding by more than 5% compared with 2008 levels.⁴ At the negative end of the spectrum, the greatest decrease is found in **Greece**, where the higher education budget has sustained a real-terms cut of over half since 2008 (excluding staff costs, which are part of the broader scheme concerning the reduction of costs in the public service). This coincides with the extremely damaging impact of the financial and economic crisis on the country. **Hungary** is not far behind, with funding having dropped by over 45% since 2008 when inflation is taken into consideration. Public funding had also fallen by over 40% in **Latvia** up to 2012 (the most recent figures available).

Large-scale cuts have also occurred in **Lithuania**, where the drop of about 36% on 2008 levels of public funding has coincided with a fall in student numbers, which have dropped by around 27% from just under 150,000 in 2007/2008 to just over 104,000 in 2012/2013. The situation is different in **Ireland**, where student numbers have increased by just under 15% since 2008, though public funding is 35% below the 2008 level. This clearly accentuates the financial pressure placed upon higher education institutions.

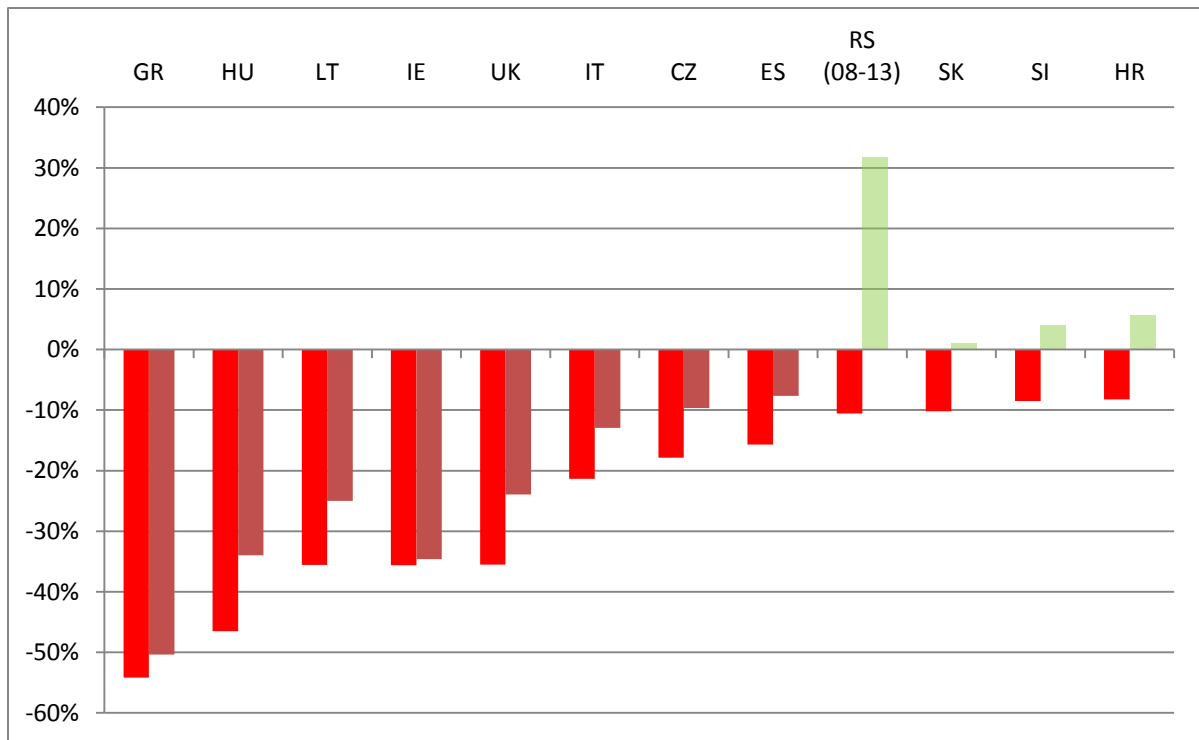
Substantial cuts have taken place in **the United Kingdom**, where the level of public funding has decreased by 36%. However, the loss of teaching subsidies in England has been compensated by a significant reform of tuition fees, with universities now able to charge three times more than they could in 2012. A similar narrative is present in **Spain**, albeit with a much smaller adjustment; public funding is down 16% on 2008, which is only partially offset by higher tuition fees.

The year-on-year pattern of these decreases varies from system to system. **Croatian** universities have seen a lower level of public funding in comparison with the 2008 figure in every year since the Observatory started collecting data. This has reached a new low in 2014, with the real-terms long-term deficit now standing at over 8%. Though the long-term drop in funding in **Slovenia** is roughly equivalent, this is a result of cuts in the past three years, with investment having previously risen. **Slovakia** is a similar case; following increases in funding up to 2010, this has been reversed.

In other countries, it seems that a depressed funding equilibrium has now been reached. In the **Czech Republic** the long-term decrease in public higher education funding remains stable at just over 18% below the 2008 level. Though this represents a small decline in the scale of the cut, which eclipsed 20% in 2012, it seems that funding has now reached a plateau around this level. A similar narrative can be inferred from the **Serbian** funding figures, with the long-term cut in funding having reached almost 10% compared with the 2008 level. **Italy** falls into the same bracket, although to an even deeper extent, with the drop in public funding on the 2008 level remaining constant for the past two years at around 21%.

⁴ Including Latvia which is not included in the table above because of the lack of recent data available.

Graph 5 Countries with declining public funding over 2008-2014 (real and nominal change)



The first column for each system shows the inflation-adjusted evolution of public funding; the second column represents nominal change.

Overall, one may observe that there has been no wholesale change in the long-term funding trajectory across the higher education systems under analysis, with an approximate balance between systems where universities receive an increasing and decreasing level of public funding.

Iceland, Poland and Portugal are exceptions to this, as systems that have reversed declines in funding, albeit to differing degrees and in contrasting circumstances.

In the rest of Eastern and Southern Europe, even if public funding cuts have sometimes decelerated or even been arrested in the short-term, there is no sign of funding levels returning to 2008 levels. In these systems, the pressure on universities to look to diversify their income streams for greater financial security is even greater than before.

The 2014 data confirms the entrenched disparity between countries where public funding to higher education continues to rise, and countries that disinvest in the field. This is a significant challenge to the consolidation of the European Higher Education and Research Areas.

4. Funding and student numbers

As in previous years, the Public Funding Observatory has also collected data from the National Rectors' Conferences on student numbers. The relation between the developments in funding of 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 directly link funding to this data. When such a relation exists, for instance through a 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.

The long-term trends in student numbers are shown below.

Table 5 Evolution of student numbers between 2008 and 2014

Evolution (2013/2014 compared to 2008/2009)	Country
Student numbers grew by more than 10%	Austria,* Belgium (Flanders), Croatia,* Denmark, Germany, Greece,* Iceland, Ireland, Luxembourg, Netherlands, Norway
Student numbers grew by less than 10%	Czech Republic, Finland, France, Portugal, Serbia,* Sweden, United Kingdom*
Student numbers decreased	Hungary, Italy,* Latvia,* Lithuania,* Poland,* Slovakia, Slovenia

* no data available for 2013/2014; compared with 2012/2013 data.

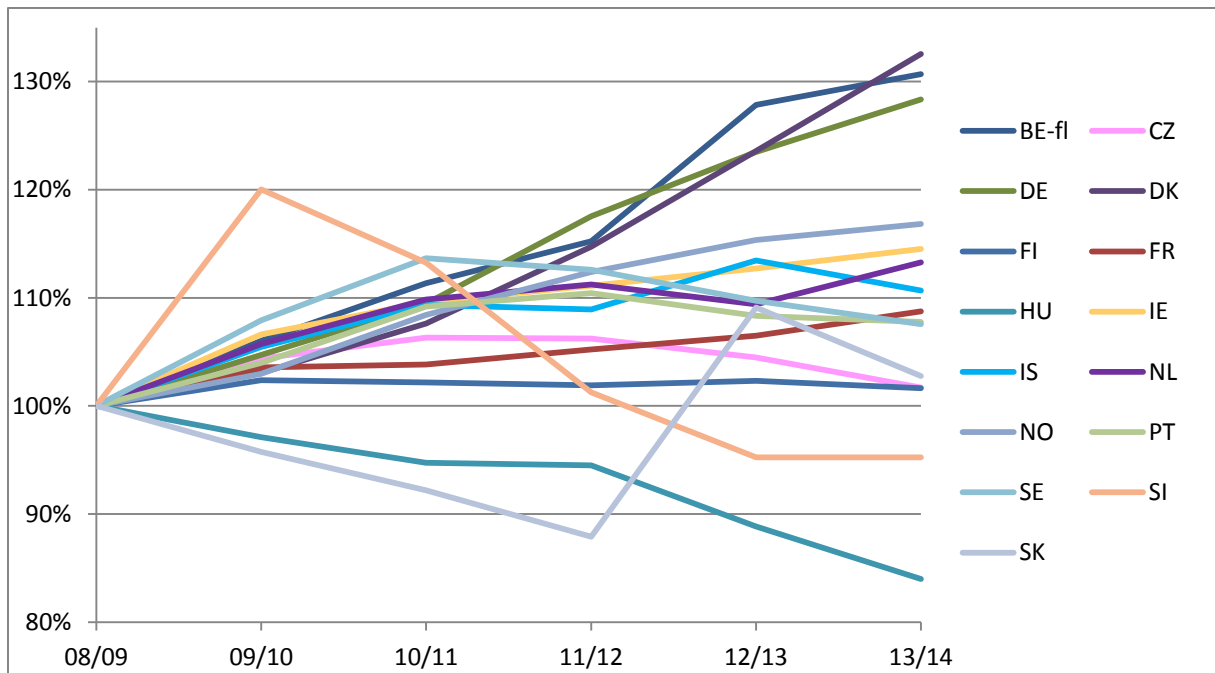
Although the table above hides considerable variations within the period considered, it is possible to outline some key elements.

Student numbers have been decreasing in most Eastern European countries (as well as in Italy, despite a recent increase between 2011/2012 and 2012/2013). Hungary has experienced a 16% drop in student numbers in 2013/2014 compared with 2008/2009. The decrease is even greater in Lithuania, where there are 27% fewer students in 2012/2013 compared with 2008/2009. Possible reasons for these drops include demographic evolutions and increased student mobility.

In the rest of Europe, the student population has tended to grow. The most significant increases can be seen in Austria, Belgium, Denmark, Germany and Luxembourg, where numbers have grown by around 25% over five years.

The sample of 15 higher education systems below, for which all data relating to student numbers was available between 2008/2009 and 2013/2014, shows the variety of situations faced in different European countries. Large year-on-year variations may represent a challenge for universities, in particular when the calculation basis for public funding does not take these changes into account (or with a delay, for instance when using multiannual averages).

Graph 6 Evolution of student numbers between 2008 and 2014



Fluctuations in student numbers do not necessarily coincide with fluctuations in the level of public funding. It is important to seek to establish whether, in countries where funding has increased, the investment in the field is sufficient to enable universities to cater for larger student cohorts. Conversely, where public funding is being cut, the extent to which decreasing student numbers justify the lower funds should be carefully assessed.

5. Funding and GDP

The table below shows how the level of public funding to higher education institutions has progressed as a proportion of Gross Domestic Product in comparison to the first year of data collection for the Public Funding Observatory in 2008.

Table 6 Evolution of public funding to higher education institutions as a percentage of GDP

Evolution (2013 compared to 2008)	Country
2013 higher than 2008 (funding to higher education institutions as a percentage of GDP)	Austria, Croatia, Finland,* Germany, Luxembourg, Iceland, Netherlands, Norway, Poland, Serbia
2013 lower than 2008 (funding to higher education institutions as a percentage of GDP)	Czech Republic, Greece, Hungary, Ireland, Italy, Lithuania, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom

*Comparison over the period 2010-2013

On the whole it is clear that the trajectories are consistent with the trends in absolute public funding level; in most cases, where systems are receiving an increasing absolute level of public funding, this is mirrored as an increasing proportion of GDP, and vice versa. One notable exception to this trend is Sweden, where the increasing investment in higher education is not keeping pace with the rise in GDP. Another outlier is Serbia, where funding has increased as a proportion of GDP, yet fallen in real-terms, ostensibly because of the high rate of inflation.

It should be noted that in some cases, there are discrepancies with the previous years' data for funding as a proportion of GDP. There are three possible reasons for this: because countries have provided updated funding figures, because the GDP figures have been revised by Eurostat, or because the updated conversion rate (June 2014 instead of April 2013) for non-Eurozone countries has affected the proportion.

6. Concluding remarks

The 2014 Public Observatory gives the most complete representation and analysis to date of public funding for universities across Europe. It is important to note though that the data is collected in varying manners which do not always include other types of public funding, like competitive project-based funding, that itself often represents a significant stream of income for research activity. Moreover, some of the data provided is based on forecasts and provisional totals which are subject to revision.⁵ The data nonetheless confirms some interesting developments.

One of the trends is an ever-increasing disparity between the highest and lowest funded systems; in 2008, the percentage point difference between the highest and lowest proportion of GDP invested in universities was 1.08%. This year, that figure stands at 1.32%.

Moreover, the evolving geographical divide between European systems in terms of investment has become the new reality. EUA previously warned about an increasing investment gap between different groups of countries; the economic crisis is strongly affecting Europe in that sense, as policies that may once have been presented as temporary measures, now seem to have become the norm.

On the one hand, Scandinavian, Northern and Central European countries are tending to either maintain a steady funding trajectory or increase funding. However, it should be borne in mind that even in these countries, universities often face an increasingly challenging situation as they are confronted with rising costs and larger student populations.

On the other hand, it is predominantly Southern and Eastern European countries that are suffering consistent cuts to university funding. This also correlates with the impact of the crisis; countries who suffered greater economic downturns are unsurprisingly making more significant cuts. The notable exceptions of Poland – where public funding to higher education institutions is rising at a time when student numbers are dropping – and Portugal, where there are indications that funding levels may be restored – should not overshadow the fact that the sector has suffered significant cuts over the period in many of these countries, from which it is becoming more and more difficult to recover. Higher education landscapes may emerge from the crisis with deeply altered features; the resulting loss of talent is also affecting the longer-term competitiveness of these economies.

This contrasting situation represents a challenge for Europe as a whole, whose global competitiveness is harmed by such imbalances and weaknesses in the European Higher Education and Research Areas.

Investment in **infrastructure** will be particularly important in the coming years given that this has been a common target for recent budget cuts. If this is not addressed, the increasing costs of upkeep for ageing buildings and research facilities will negatively affect university budgets. Moreover, the student experience and attractiveness for research will also suffer, as learning and teaching resources deteriorate.

⁵ The detailed data can be retrieved from the Public Funding Observatory [online tool](#).

The qualitative evidence received from the National Rectors' Conferences indicates that in some countries, universities are expected to supplement the shortfall in public funding with increased European funding now that the new EU programmes, such as Horizon 2020, are in force. There are several problems with this approach: firstly, it is not the objective of EU research programmes to supplement main public university funding. Secondly, given the extent of the funding cuts in some systems, it is simply not possible for universities from all these countries to secure enough extra funding to make up shortfalls. And thirdly, financially weaker universities are less able to win this funding due to their restricted capacity to co-fund projects. Additionally, there is a real incompatibility between that approach and the fact that some countries are strongly advocating cuts in the EU research and innovation budget. EUA is particularly concerned about the position recently adopted by the EU Council on the European Union's 2015 budget,⁶ which indicates that Horizon 2020 commitments and payments could be cut, thus potentially harming participating universities.

It is therefore crucial that the new Commission and Members of the European Parliament recognise the importance of the sustainability of funding for higher education and research in order to maintain Europe's global competitiveness. In addition to putting greater pressure on Member States to meet the 3% target for investment in research and development, the long-term benefit of a nuanced approach to public higher education funding should be promoted. It should be noted that systems with a higher level of investment in higher education as a proportion of GDP are better placed to succeed in European funding programmes.

The search for efficient funding strategies is another common trend in many systems. Governments are trying to change the funding modalities as well as system structures to increase efficiency. EUA is exploring these issues in the ongoing DEFINE project and providing recommendations to universities and public authorities on this matter.

The European University Association reaffirms that public funding to universities is not a short-term expenditure, but a long-term investment in Europe's future which can herald great dividends.

The data analysed in this report is available through the EUA Public Funding Observatory online tool:

www.eua.be/eua-work-and-policy-area/governance-autonomy-and-funding/public-funding-observatory-tool.aspx

EUA welcomes feedback on the report at the following address: funding@eua.be

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⁶ See EU Council press release:

www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/144587.pdf