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Ellen Hazelkorn

Technological University Dublin, ellen.hazelkorn@tudublin.ie

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Impact of the Global Economic Crisis on Higher Education: Leadership and Management Challenges Preliminary Findings

Professor Ellen Hazelkorn
Vice President, Research and Enterprise, and Dean of the Graduate
Research School
Head, Higher Education Policy Research Unit,
Dublin Institute of Technology, Ireland
GRHET 'seminar', UNESCO/IAU, Paris
28 June 2013



“Presently, higher education institutions appear to be objects of hopes but also of growing concerns” (Baumann et al, 2010).

“One thing seems to be sure: it is unlikely that the effects of the crisis will disappear soon” (van Damme, 2009).

“Once the financial crisis is over (assumed to be several years) there still remains the need to make choices about how a university should function in a changing world” (Caldwell, 2009).

Themes

- Overview of Research Project
- What's the Literature Say?
- Summary of Preliminary Results

OVERVIEW OF RESEARCH PROJECT



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Overview of Study Purpose

- Objective:
 - How are changes in the global economy affecting national policy and impacting on and driving change in higher education?
 - What is happening in/to higher education? What is the extent of system change taking place? What is on the impact on individual institutions?
 - Look at 5 key themes: strategy, mission, finance, quality and work practices.

Research questions being considered (1)

- Strategy: How are HEIs responding? Are there changes to priorities? What structural/organizational changes being made? What changes are being made to governance and management?
- Mission: Are there changes to the role and responsibilities of higher education/HEIs? Are there changes to resource allocation – across activities/disciplines? Are there changes to educational or curriculum matters to academic work?
- Finance: Has the burden of funding shifted from public to private sources? Are there changes to student choice or demand, participation, performance? What is the effect on student debt? Is there a new business model emerging?

Issues being considered (2)

- Quality: How is quality being affected, and how is it being monitored and measured? Have pedagogical methods and modes of learning been adapted? What changes have been introduced to reduce costs and improve quality? What affect are these changes having on educational quality and institutional reputation?
- Work Practices: Have changes been made to academic work practices? Is there greater emphasis on enhancing performance and productivity? How is this being achieved, and how is it being measured?

And finally,

- To what extent does the Crisis – and resulting changes – represent a temporary phenomenon or a longer term transformative change in higher education?
- Are the changes positive or negative? Are they reactive or strategic?
- Would the changes happened anyway, or are they (only) a result of the current situation?
- Do HEIs have a long-term strategy to develop and/or reposition?
- What's works? What hasn't worked?

Structure of Study

- Part 1: *Institutional Self-study Questionnaire* conducted during 2012;
- Part 2: *Roundtable Focus-Group* in June 2013.
- Outputs:
 - Report to IAU and participants in autumn 2013;
 - Recommendations to HEIs and government;
 - Book .

WHAT'S THE LITERATURE SAYS?



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Overview

- Varghese (2010: 12) suggests impact of Crisis understood in terms of: (a) government and public policy response; (b) HEIs and their responses; and (c) households and their responses;
- Schneller and Golden (2010: 9) report Crisis has impacted in 6 ways: “1) job prospects of graduates; 2) reduced funding for education (government/private sector/households); 3) loss of investments of some universities; 4) (near) bankruptcy of providers of student loans; 5) freeze on programmes and staff recruitment; and 6) the possible decline in aid to education by bilateral and multilateral agencies.”
- EUA says HE system have been affected very differently and at different stages (Estermann and Pruvot, 2011: 13);
- In contrast, Asia, Australia and South America have had very different experience.

Change in European HE Funding Received

2008, 2012

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

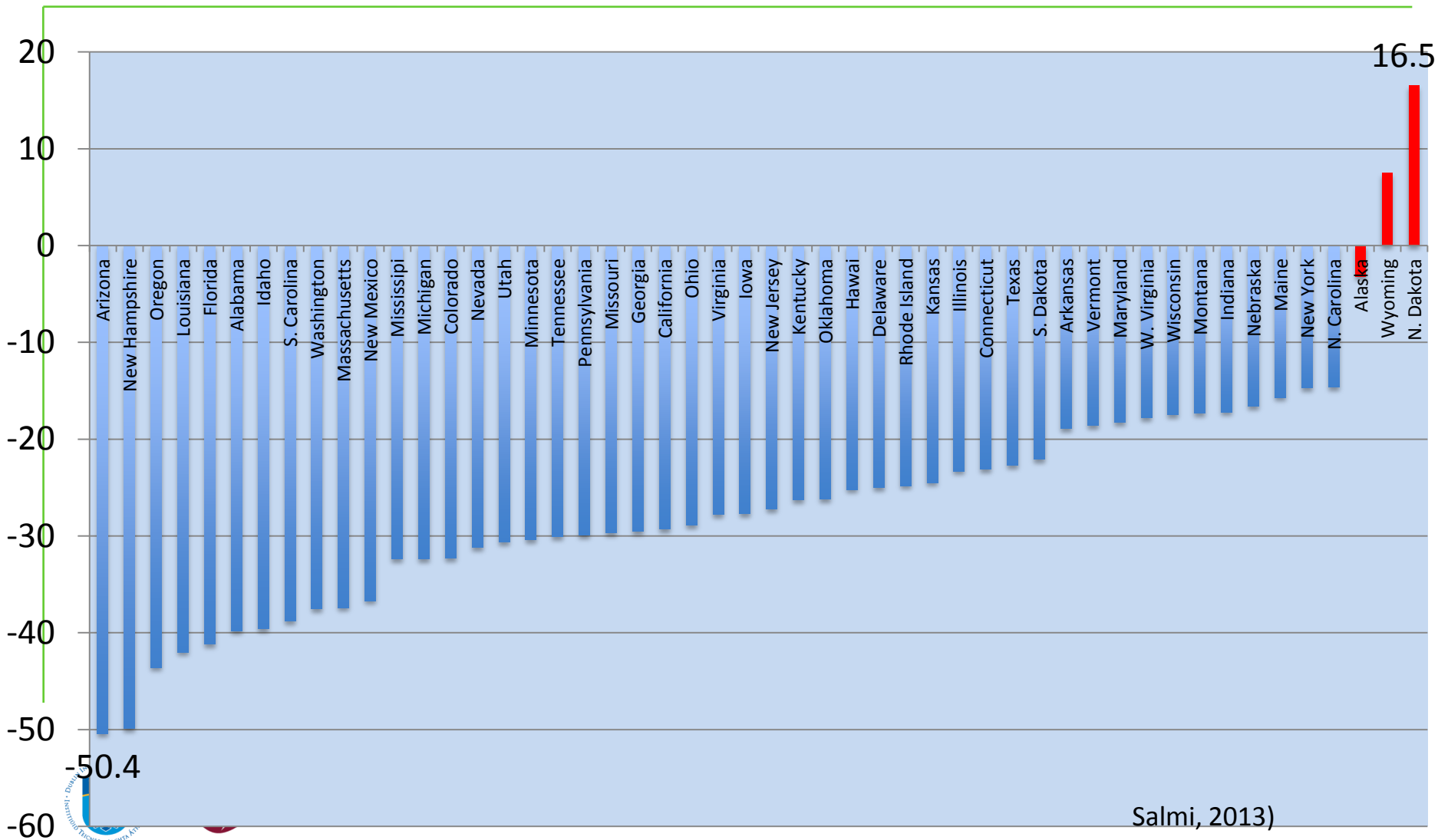
European Trends, 2008-2012

- Inflation has a significant impact on the financial situation of universities;
 - When adjusting for inflation, a more serious picture is revealed;
 - Inflation worsens the effect of funding cuts and mitigates effects of a funding increase.
- Only 7 out of 20 systems have a better funding situation in 2012 than in 2008 (Germany, Norway, Sweden, Austria, Belgian French-speaking Community, France, Netherlands),
- 13 systems have a lower funding level in 2012 than in 2008 (Croatia, Poland, Portugal, Slovakia, Czech Republic, Spain, Greece, Hungary, Ireland, Iceland, Italy, Lithuania, United Kingdom – England and Wales).

EUA 2013 <http://goo.gl/HaJKA>

% change in per US student funding

(FY08 – FY13)



Salmi, 2013)

US Reaction

- Majority Provosts (2011) relatively confident about overall quality at institutions but less so about ability to control costs.
 - Concern about student completion rates and what this means for quality;
 - 20% said could make further reductions without affecting quality (Jaschik, 2012).
- Presidents (2011; 2012) said declining government support tops list of concerns:
 - 80% say potential cuts to federal student aid = major challenge, next 2-3 yrs;
 - Public college/university more likely than private non-profit/for-profit to expect budget shortfalls;
 - Academic quality and student learning just below financial concerns as biggest challenges.
- 50% chief academic officers (2009) reported insufficient funds to be a source of frustration (Hartley and Godin, 2010, 28).

Governance

- Governments and HEIs using crisis to promote reform and system and institutional restructuring; introduce efficiencies; promote innovation; improve quality (Douglass, 2010; Vitullo and Johnson, 2010);
 - European government response: “less money, more regulation”;
- President of Ohio State University:

Without a doubt, the current economic crisis is unique for its depth, its broad swath of victims, and its speed-of-light reach around the globe. No one is immune, including higher education... For many university leaders, the first instinct is to hunker down and wait for the storm to pass. Acting on that instinct is a grave mistake... We must become more agile, more responsive, less insular, and less bureaucratic. In so doing, we will save ourselves from slouching into irrelevance.

- Tsiligiris (2012) says that Crisis has been an opportunity to reform Greek higher education.

Finance (equity) (1)

- Across OECD, “point of maximum public investment in higher education” reached by 2009:
 - “Financial crisis is only phase one of the problem; long-term, there are significant demographic issues at play;”
 - “Research investment model that has sustained HE for most of the past six decades may have played itself out” (Usher, 2012).
- Government approaches to financing higher education can be categorised broadly into 3 groups: (a) those choosing to reduce the public funding of higher education; (b) those choosing to increase the public funding and (c) those opting for maintaining the system at the same level of funding (Varghese, 2010: 12)

Finance (equity) (2)

- Targeting funding “to achieve specific objectives, usually in strategic national priorities” and funding authorities “seem to resort increasingly to competitive funding tools” (EUA, 2010);
- Funds “increasingly subject to conditions for its allocation or accompanied with growing accountability requirements” (Estermann and Pruvot, 2011: 13).
- Increase in competitive project funding at the same time reducing institutional core funding;
- Some evidence of diversification of funding – with growing reliance on private sources;
 - Mounting pressure on tuition fees and students;
 - Changes in recruitment strategies and policies.
- Concern about growing gap between HEIs and HE systems.

Quality (and efficiency)

- Concerns about declining quality but no real evidence available yet –
 - Impact on student completion/attainment;
- Effect on balance between teaching and research:
 - Research being emphasized more than teaching;
 - Teaching tied to core budget which is affected by funding declines;
 - Research seen as key to economic recovery.
- Some evidence of impact on student mobility:
 - European Erasmus programme activity at risk;
 - Intra-European mobility, out of countries which are seen as negatively affected by austerity programmes.

Work practices

- Everyone commenting on changes to work practices and terms and conditions;
 - Recruitment freezes,
 - Terms of tenure changing with more non-tenured or adjunct/pt staff;
 - Reductions in salary and benefits, etc.
- Academics spending more time on research;
- Re-examination of the pedagogical model, and use of “lecture/discussion” format
 - Consideration of new technologies to aid/replace classroom;
 - Rising use of MOOCs.

Every cloud has silver lining...

- Speeded up what EU calls “the modernisation of higher education” (Rigg, 2011),
- Focus on economic development and recovery has put HE into policy spotlight;
- Broad endorsement for research to assist “Europe to recover from its worst economic crisis in recent decades” (Myklebust, 2010a) and that HE can lead Europe out of the Crisis (Ritzen, 2012).
- In return, universities have been resilient:
 - Sharper attention to mission and strategy, engaging directly and mutually with its region, developing new educational programmes and services, and meeting needs of society and the economy;
 - University has developed wide range of “coping strategies”(Hoareau, 2011)

SUMMARY OF PRELIMINARY RESULTS



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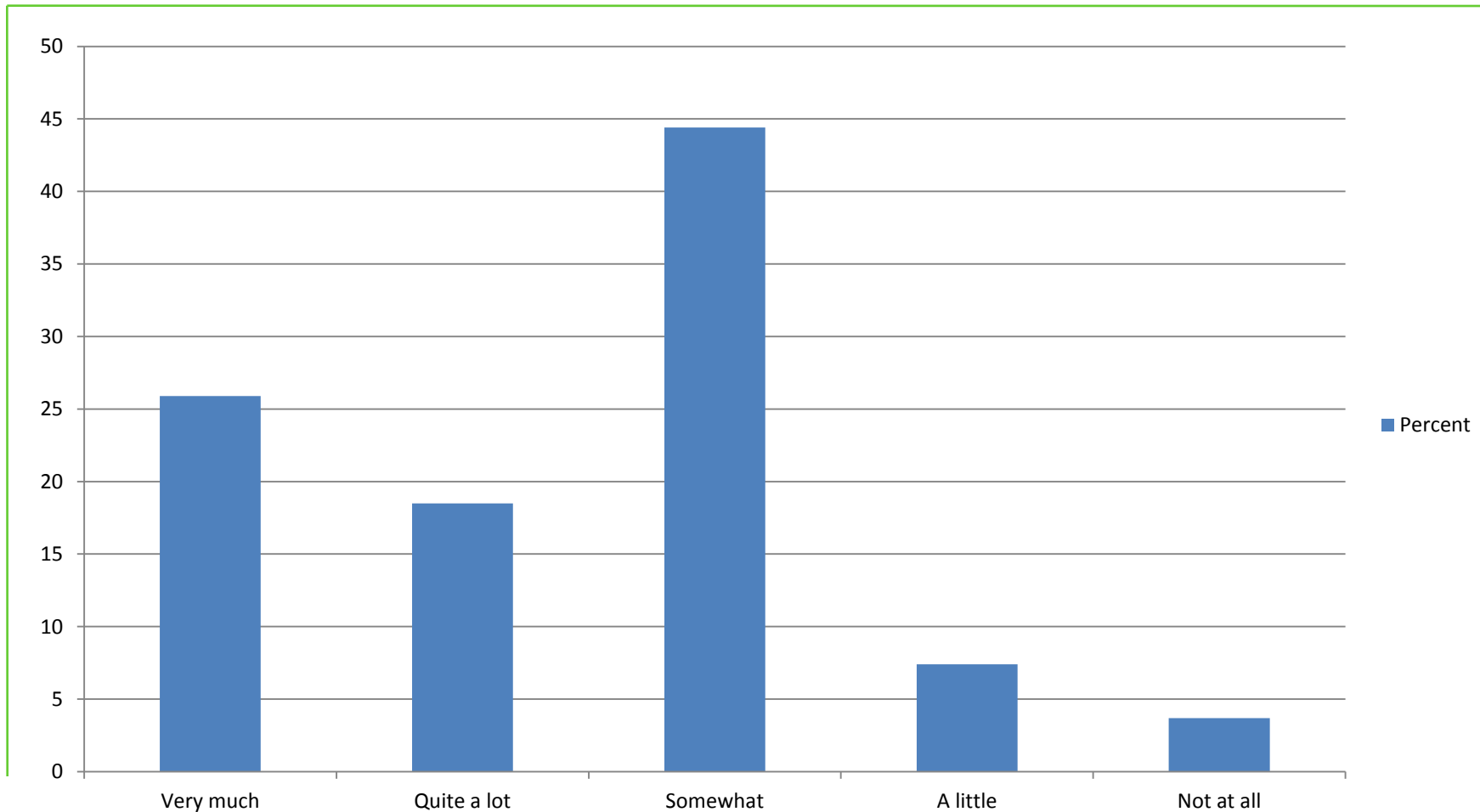
Participant Overview

- 34 HEIs from 29 countries responded;
 - Majority located in Europe (18), followed by Africa (5) and Asia Pacific (5), North America (3), Middle East (2) and South/Central America (1).
 - Every continental region is represented at least once, although the majority of institutions are from Europe (52.9%);
 - 80% HEIs in metropolitan areas (pop. more than 50,000);
 - 80% HEIs established from 1900 onwards, with 38% being established since 1970s;
 - 50% self-described as research-informed or research-intensive.

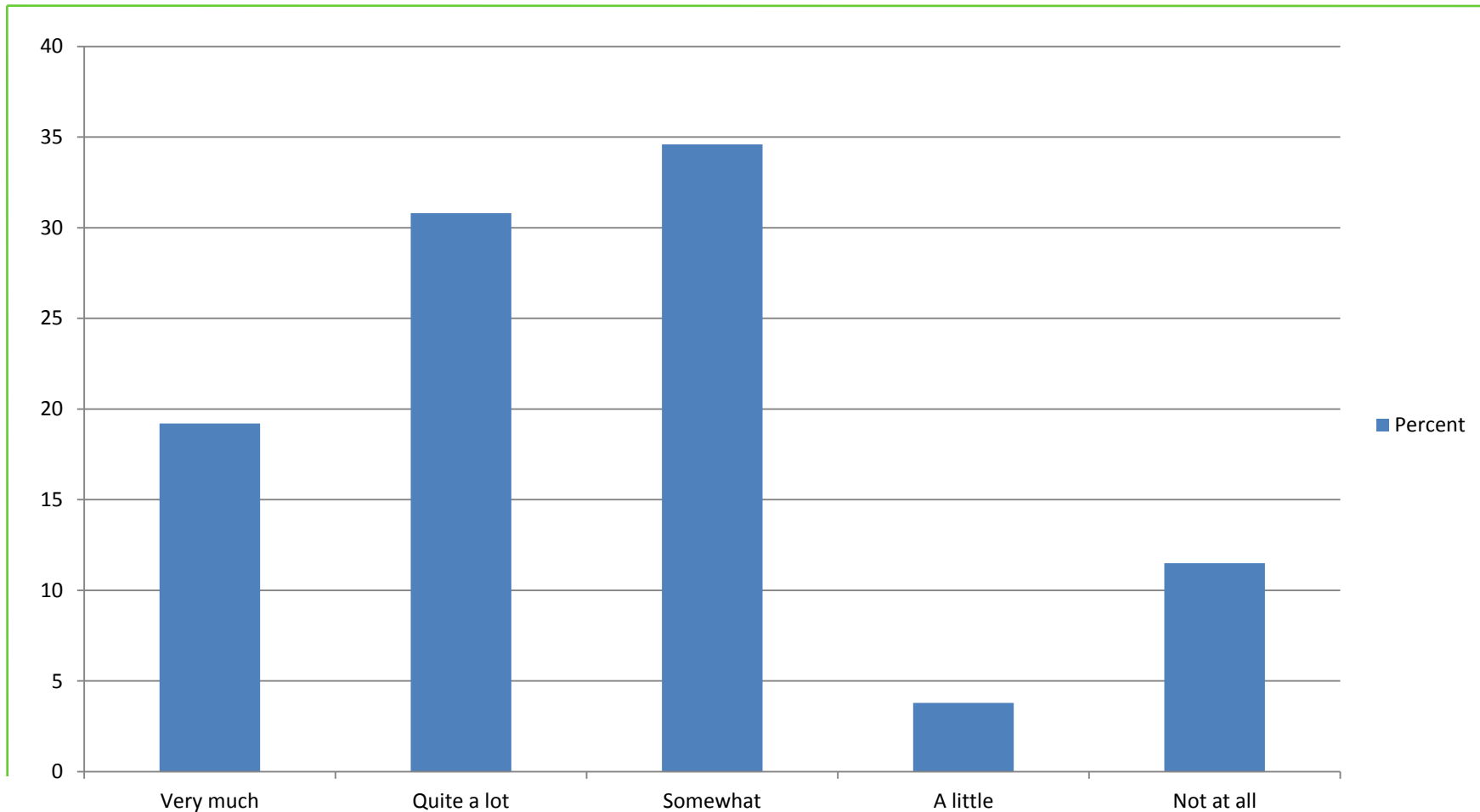
Institutional Mission/Goals

- Regardless of age, type or geography – all HEIs affected:
 - By global economic crisis;
 - By national policy developments.
- Changes described as mostly somewhat positive/somewhat negative –
 - Almost 77% say global crisis has made it more difficult to achieve its mission and goals;
 - 56% say they have been “quite a lot” or “very much” affected with respect to the income they receive or earn.
- Overall effect has been to focus institutional attention on a limited set of key issues.

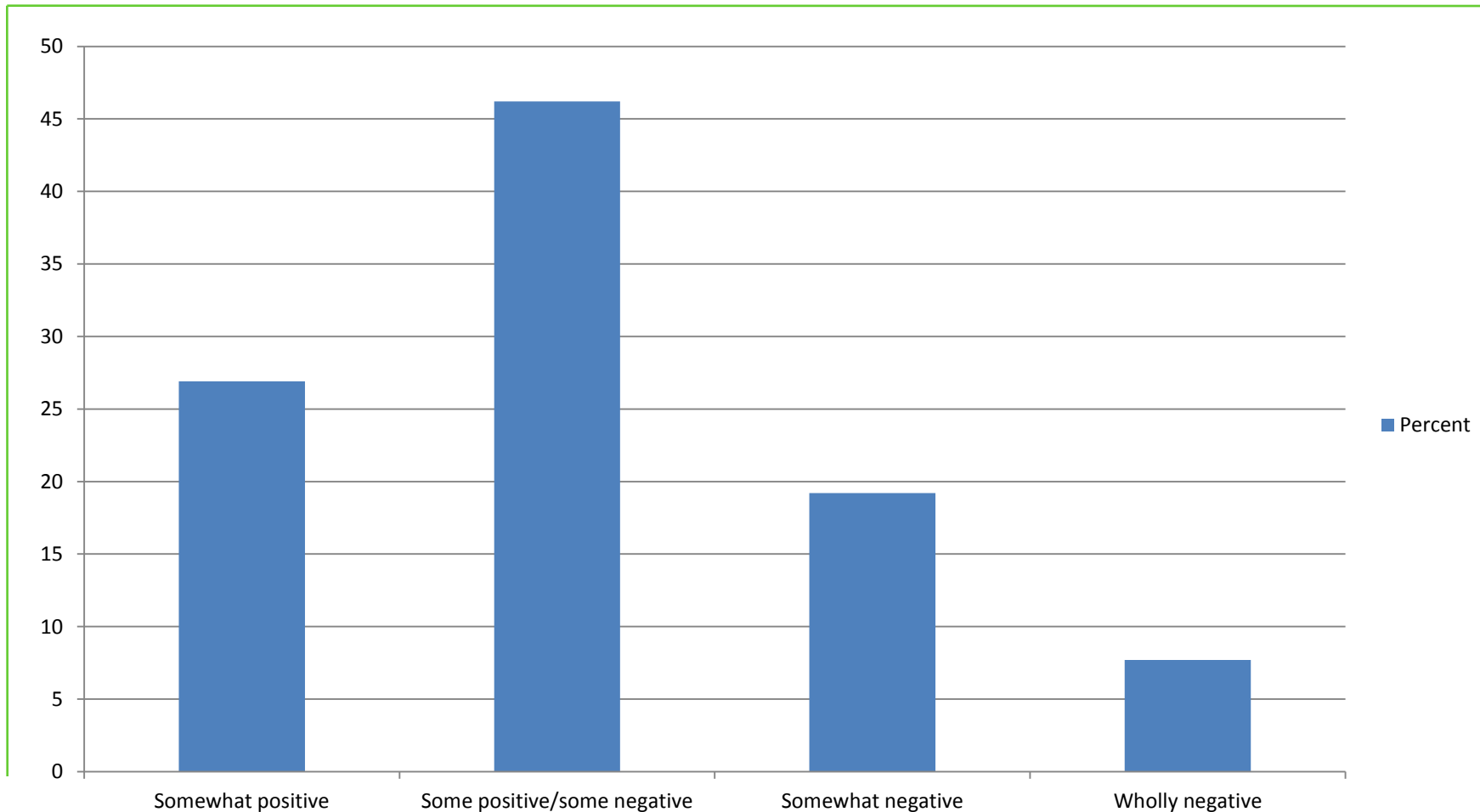
How has global economic crisis affected HE in your country?



Have changes in national policy affected your institution?



What has been effect of policy decisions in your country on HE?



Institutional Strategy

- Only 7% HEIs unaffected by Crisis, in terms of ability to meet strategic targets; 72% HEIs under more scrutiny from external stakeholders.
- Top 5 factors influencing institutional priorities are:
 - Availability of funding;
 - Student demand;
 - External evaluation;
 - Reduction in core budget;
 - Employers in the graduate labour market.
- Changes in priorities as a result of the GEC and national policy;
- Position in national and international rankings have not changed or have improved;
 - Yet, respondents most concerned about position in national rankings.

Changes in Priority-setting since 2008

Became higher priority from 2008 to 2011	Became lower priority from 2008 to 2011
<ul style="list-style-type: none">• Retaining talented faculty• Recruiting talented students• Improving teaching and learning• Improving reputation• Improving competitive advantage• Diversifying income• Achieving greater efficiency• Developing a new business model	<ul style="list-style-type: none">• Reorganising and restructuring the institution• Recruiting students• Improving student services• Improving quality• Improving national ranking• Improving global ranking• Building research capacity• Attracting talented faculty

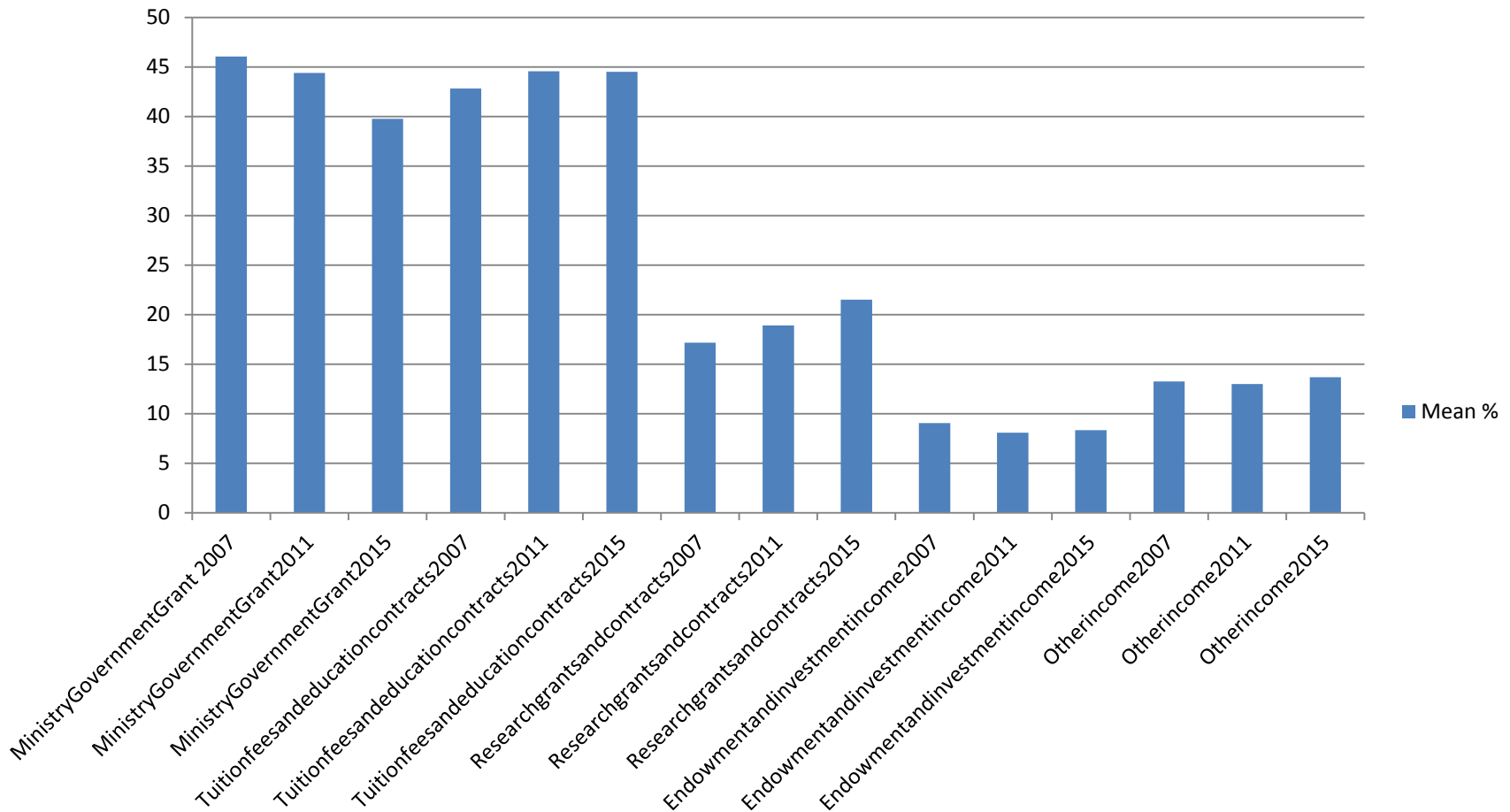
Concern about Institutional Position in National and International Rankings (%)

International Rankings %		National Rankings %	
Very Much	24.0	Very Much	20.8
Quite a Lot	12.0	Quite a Lot	25.0
Somewhat	32.0	Somewhat	29.2
A Little	16.0	A Little	12.5
Not at all	16.0	Not at all	12.5
TOTAL	100	TOTAL	100

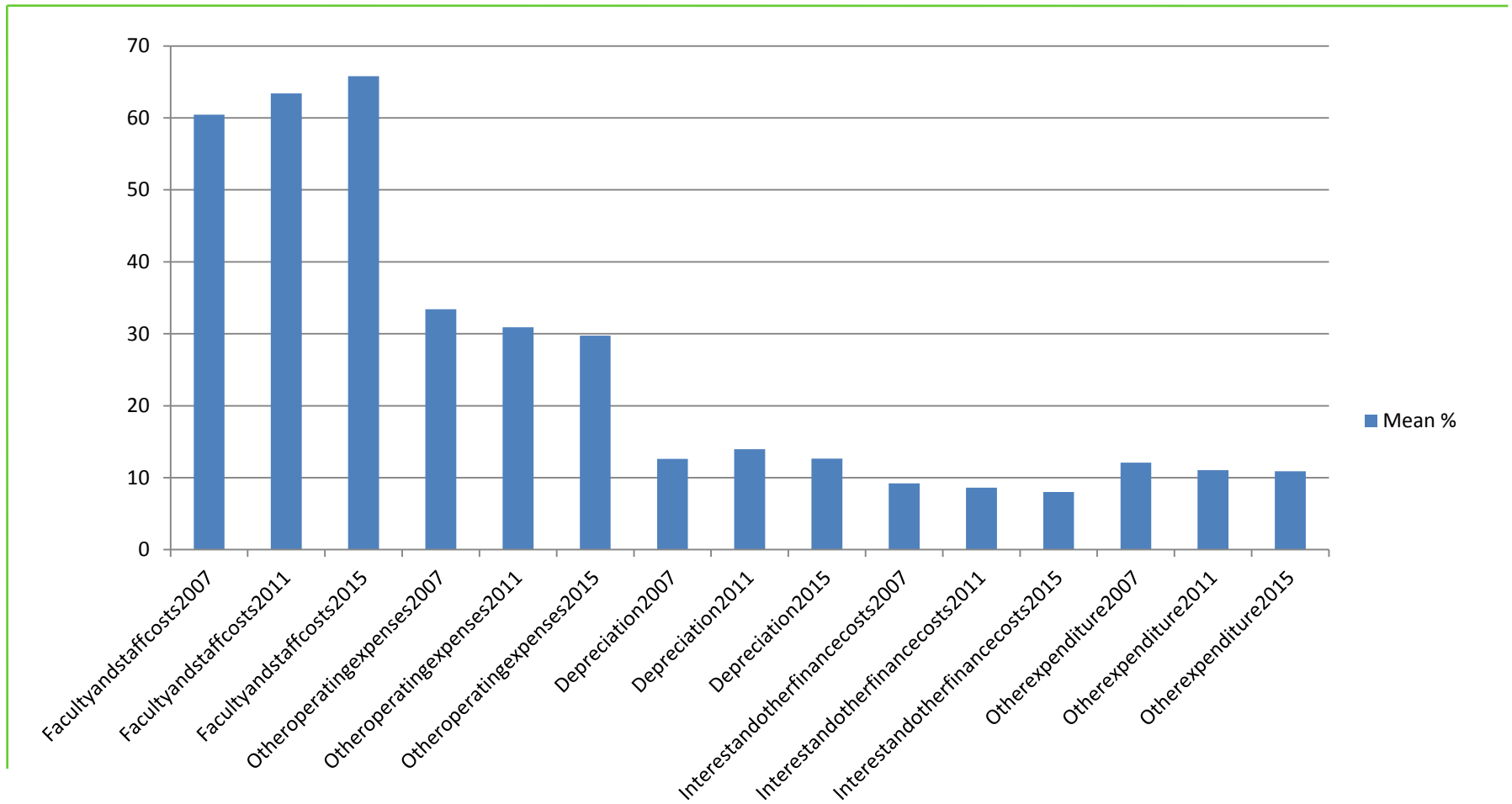
Finance

- Proportion of institutional income constituted by research grants is increasing 2007-2015 whereas proportion constituted by ministry grants decreasing;
- Proportion of financial expenditure composed of faculty expenses increasing between 2007-2015 whereas proportion composed of other operating costs decreasing.
- Top 5 actions being taken to compensate for budget constraints:
 - Increase academic workload;
 - Increase class size;
 - Reduce or cease recruitment of staff;
 - Restructure the institutional departments;
 - Improve procurement practices/reduce salary overheads.

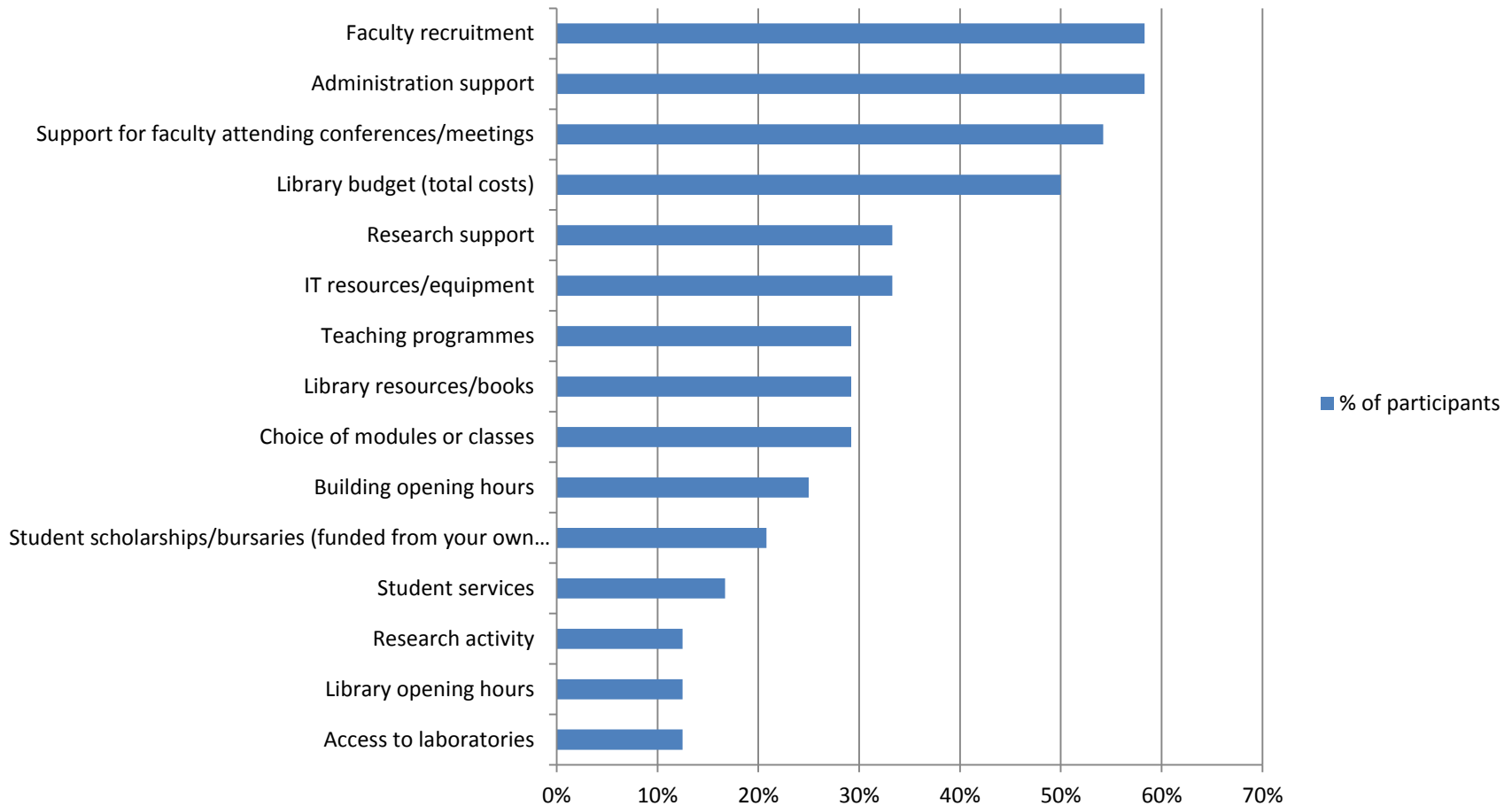
Source of Institutional Income, 2007, 2011, 2015 (expressed as the mean)



Source of Financial Expenditure, 2007, 2011, 2015 (expressed as the mean)



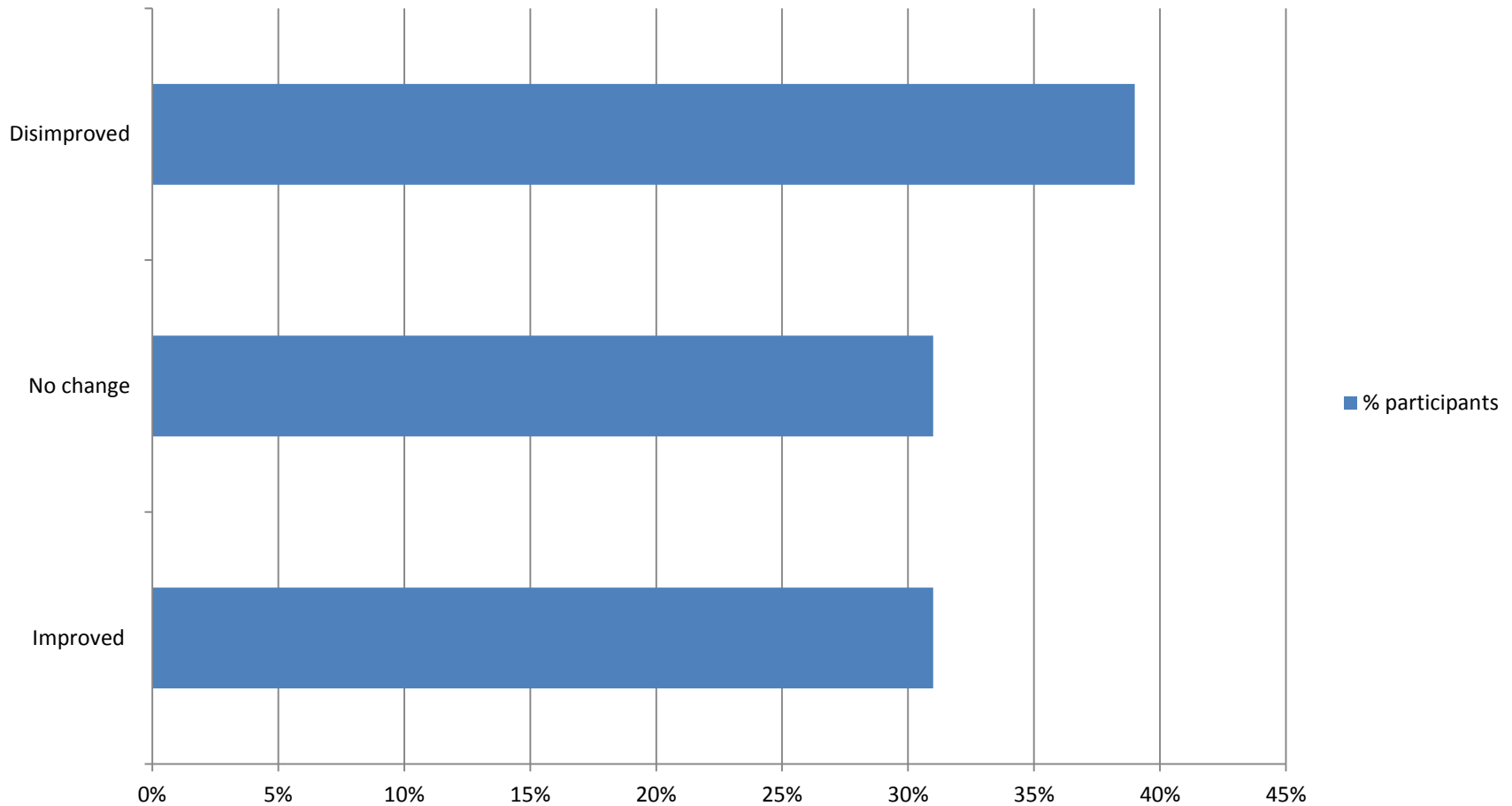
Budget Cuts or Restrictions to Services Introduced since 2008 (%)



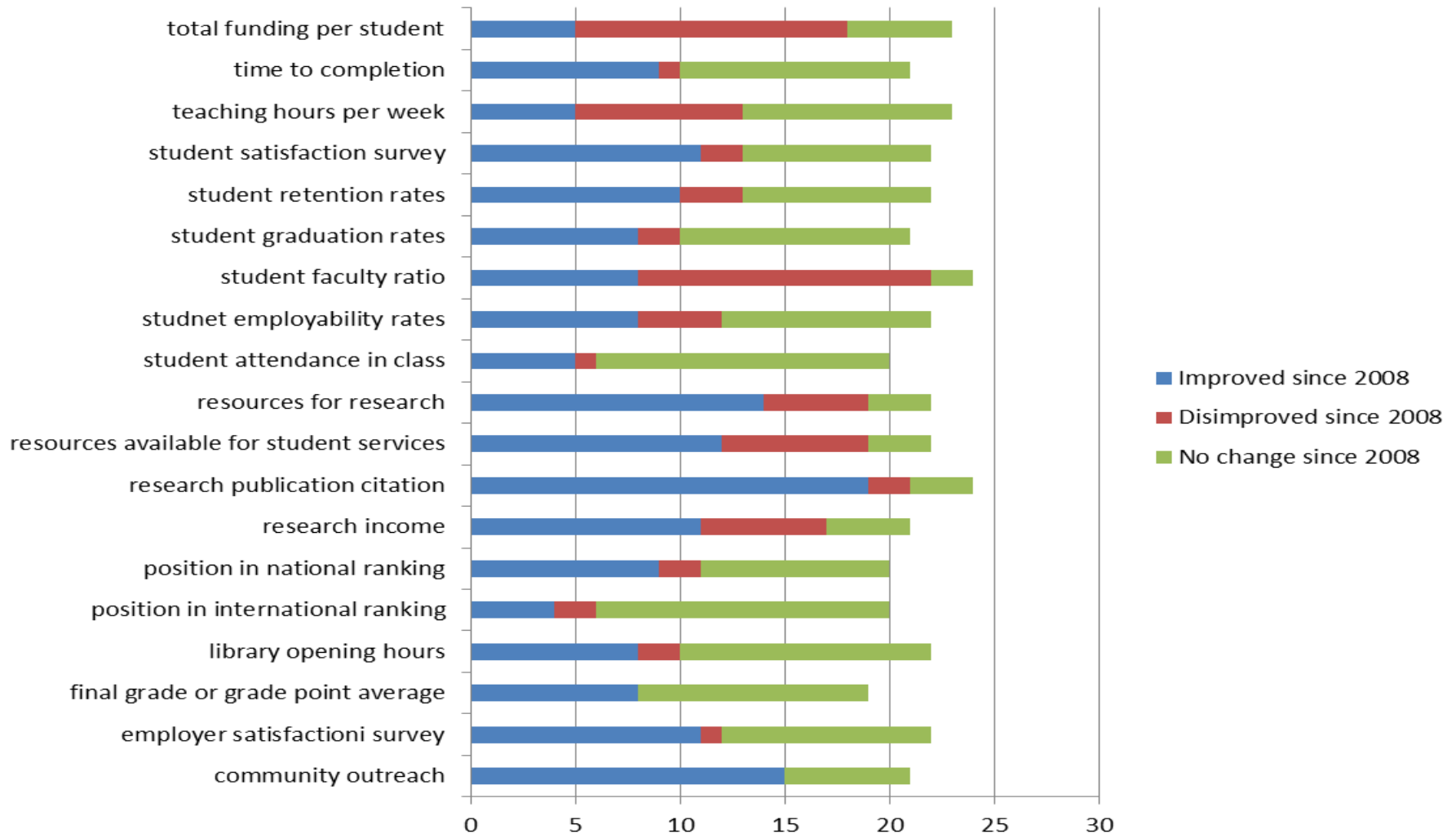
Institutional Quality

- 31% respondents say Crisis is improving quality of education, while equal number say no change. 38% say quality negatively affected.
 - Crisis pushing HEIs to focus on core issues/mission;
 - Increasing accountability;
 - Quality now a wider concern;
 - Exodus of good quality academic; increased faculty/student ratio; Reducing services;
- Indicators of quality:
 - Faculty/student ratio and total funding per student have worsened since 2008;
 - Community outreach, research publication citations, resources available for research have all improved since 2008.

Effect of *Global* Crisis on Quality (%)



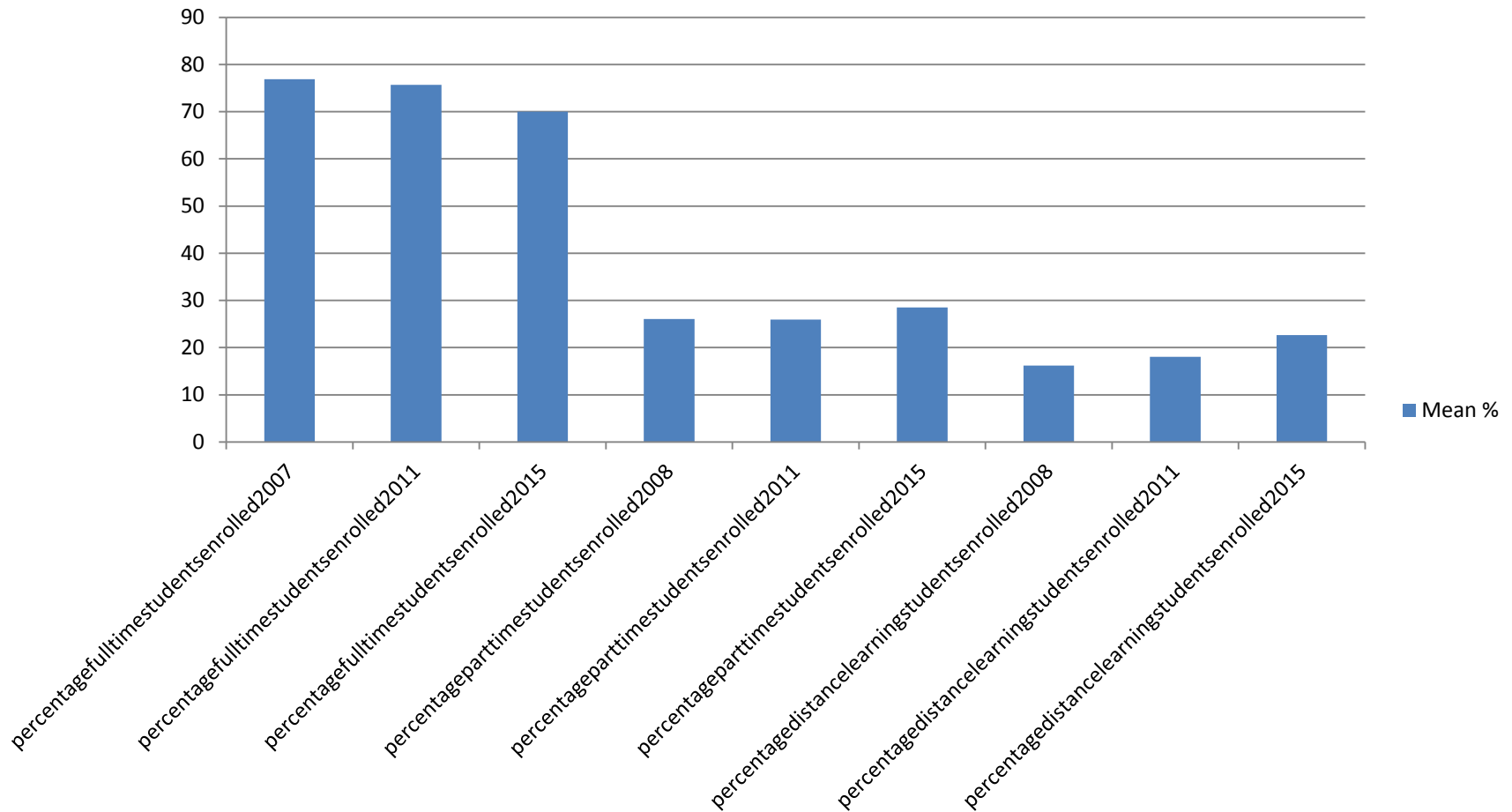
Indicators of quality since 2008 (count of participants)



Student Profile

- Percentage full-time students will decrease to 2015 – and distance learning and part-time students will increase;
- Percentage international students will continue to increase to 2015;
- Increase expected in number of scholarship students while low SES students, those requiring financial aid and mature students will decline;
 - Includes students from the local area and students living with parents
 - although this remains the greatest proportion.
- Comments suggest increasing socio-economic stratification within student cohort – reversing previous trends.

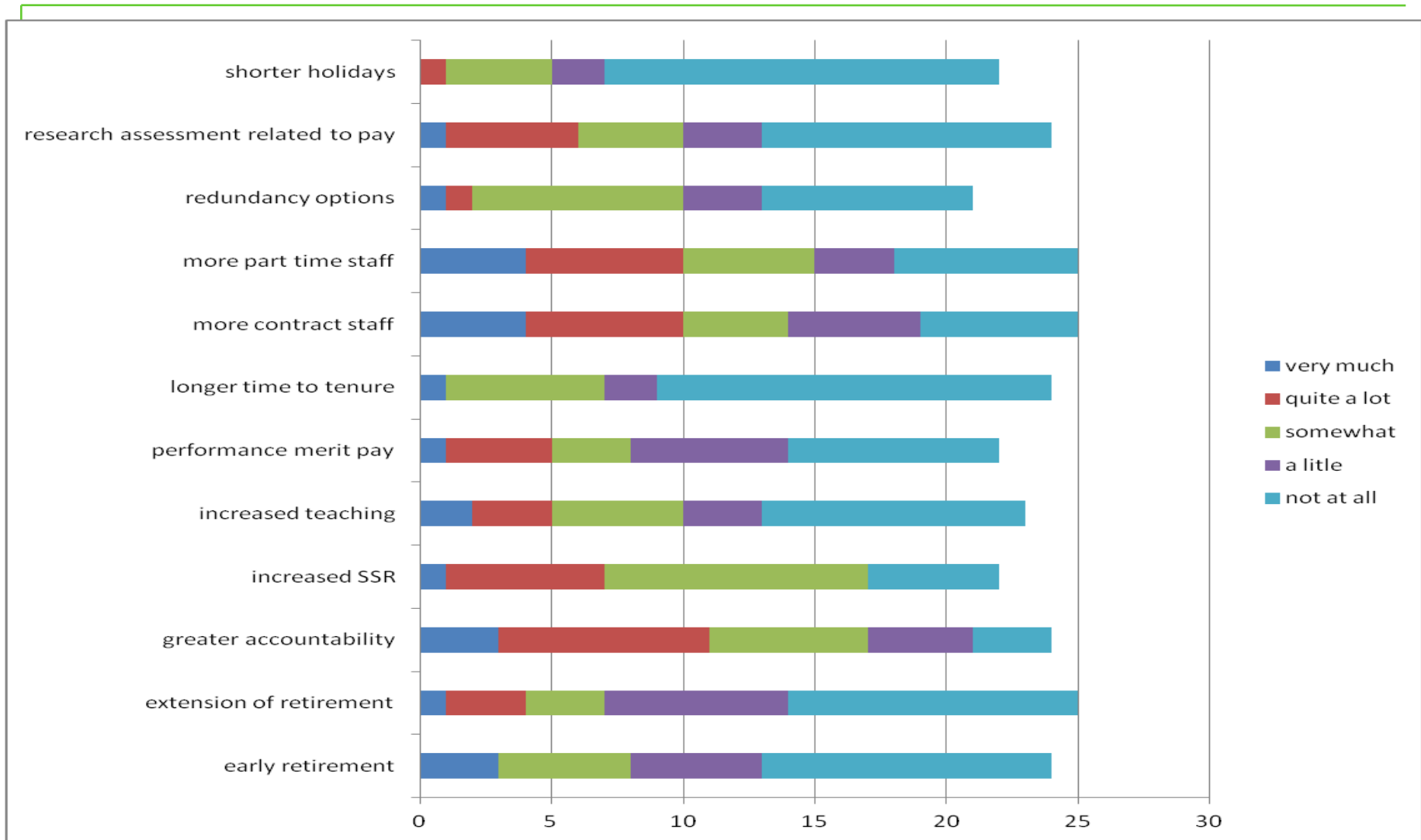
Student enrollment 2007, 2011 2015



Work Practices

- 67% report changes in faculty recruitment strategies and practices, but 60% report no change in tenure.
 - Greater accountability;
 - Increased faculty/student ratio;
 - More part-time staff;
 - More contract staff.
- Faculty spend less time on teaching; more on research;
- Contract and adjunct faculty increasing between 2007 and 2015;
- Non-tenured faculty most realistic about the challenges:
 - Both tenured and non-tenured faculty supportive of efforts to address new challenges at institutions;
 - Tenured faculty the most involved in planning at institutions.

Changes in faculty employment since 2008



CONCLUSION



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General Remarks (1)

- Crisis is universal, despite different national contexts – there is a remarkable similarity to HEI reports of effects, scenarios, and responses;
- Crisis perceived primarily in terms “less money”:
 - Less attention given to *other drivers*: unemployment, household income, student debt, etc.;
 - Less attention given to *other effects*: increased accountability, greater regulation, student choice/participation, new business model, differentiation and stratification within HE marketplace, etc.
- No universal “good-for-all” solution; each HEI seeking solution to own immediate problem with some evidence of some HEIs successfully “weathering storm”;

General Remarks (2)

- Remarkable similarity to focus on remedial action/strategies:
 - Increase faculty/student ratios;
 - Increase teaching load;
 - Increase international/out-of-state student recruitment or fees;
 - Align tuition fees to real cost;
 - Reduce non-personnel costs;
 - Consolidation of administration/support services;
 - Decrease support to students;
 - Reduce module choice/change programme offerings;
 - Increase use of on-line provision.

General Remarks (3)

- Balancing income and costs:
 - “Avoiding budgetary deficits;
 - Having sufficient reserves to absorb financial shocks and provide time for adjustment;
 - Remunerating staff well enough to make it possible to recruit, develop and retain high-quality staff and reward staff for performance;
 - Spending enough to maintain and replace capital assets (physical environment);
 - Spending enough to replace and renew library/information resources;
 - Spending enough to ensure high-quality and strategically important support services;
 - Spending enough to assure quality in core business: teaching and learning, research and community service.”

General Remarks (4)

- Some concerns voiced about:
 - Longer-term effect of the various strategies on educational/academic quality;
 - Pressure growing on students at same time rising demand is leading to changes in the student cohort profile with some evidence of reversal in previous positive trends;
 - Balance between teaching and research with implications for HE/HEI mission;
 - Institutional autonomy and accountability;
 - Institutional reputation and position (e.g. rankings).

General Remarks (5)

- BUT overall appears to be absence of strategic considerations regarding future position of HE/HEI –
 - Underlying assumption that “good times” will return – or never end;
 - Absence of scenario planning – or consideration of the future shape of higher education.