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Next Steps in Funding a Globally Competitive University Sector

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FINANCIAL TIMES

Funding a Globally Competitive University Sector

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Festschrift Conference for Professor Sir Colin Campbell

Nottingham University

16th September 2008

Funding a globally competitive university sector

"I have little doubt that, as time goes on and the advantages of higher education are more generally perceived and the burdens of financing its expansion are more severely felt, there may easily come a change in public attitudes such that the equitable arguments for considerable replacement of grants by loans will become practically relevant." Lord Robbins, 1966

Funding a globally competitive university sector

- UK universities in a globalised world
- Globalisation and funding of UK universities
- Domestic functions of UK universities
- Policy challenges

1. UK universities in a globalising world

- The acquisition and dissemination of knowledge is not only a public good, but a global public good
- The UK is a natural provider of this global public good:
  - It has a long and unbroken tradition of scholarly excellence
  - It is still on the forefront of knowledge creation; and
  - Its mother tongue is the global language
- Thus, internationalisation of UK universities, in terms of staff, students, investment abroad and other forms of outreach, is a natural development, as the world globalises

1. UK universities in a globalising world

UK UNIVERSITIES IN THE WORLD

BRITISH UNIVERSITIES IN TOP 100 OF WORLD ACADEMIC RANKINGS, 2008		
Institution*	**World Rank**	**European Rank**
Univ Cambridge	4	1
Univ Oxford	10	2
Univ Coll London	22	3
Imperial Coll London	27	5
Univ Manchester	40	6
Univ Edinburgh	55	13
Univ Bristol	61	16
Univ Sheffield	77	24
King's Coll London	81	25
Univ Nottingham	82	26
Univ Birmingham	91	30
Source: Shanghai Jiao Tong University's Institute of Higher Education		

- 11 of the 33 European universities in the top 100 are British.

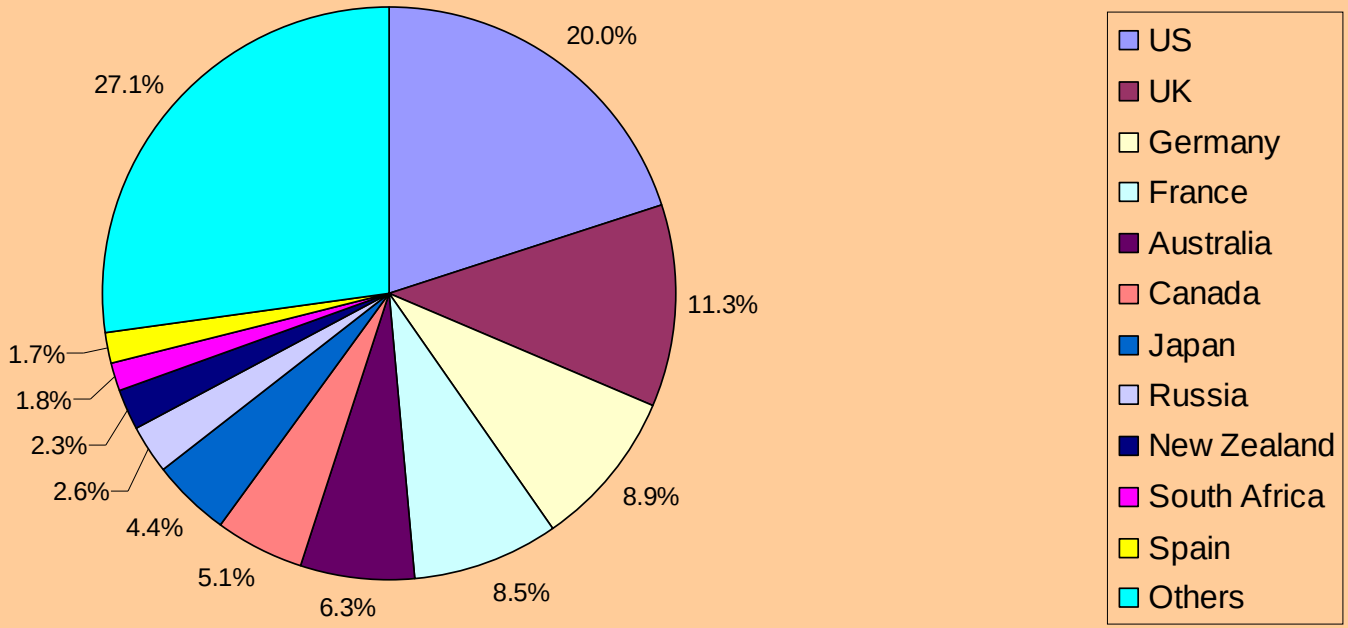
1. UK universities in a globalising world

- The growth in numbers of students studying abroad is huge, from 0.6m in 1975 to 1.2m in 1990 and 2.9m in 2006
- In many ways, this brings the world back to where European universities were in the middle ages
- The UK is the second largest recipient of foreign students in the world, after the US
- Between 1994/95 and 2005/06, foreign student numbers rose from 98 thousand to 219 thousand

1. UK universities in a globalising world

DISTRIBUTION OF FOREIGN STUDENTS IN TERTIARY EDUCATION, BY DESTINATION, 2006
(per cent)

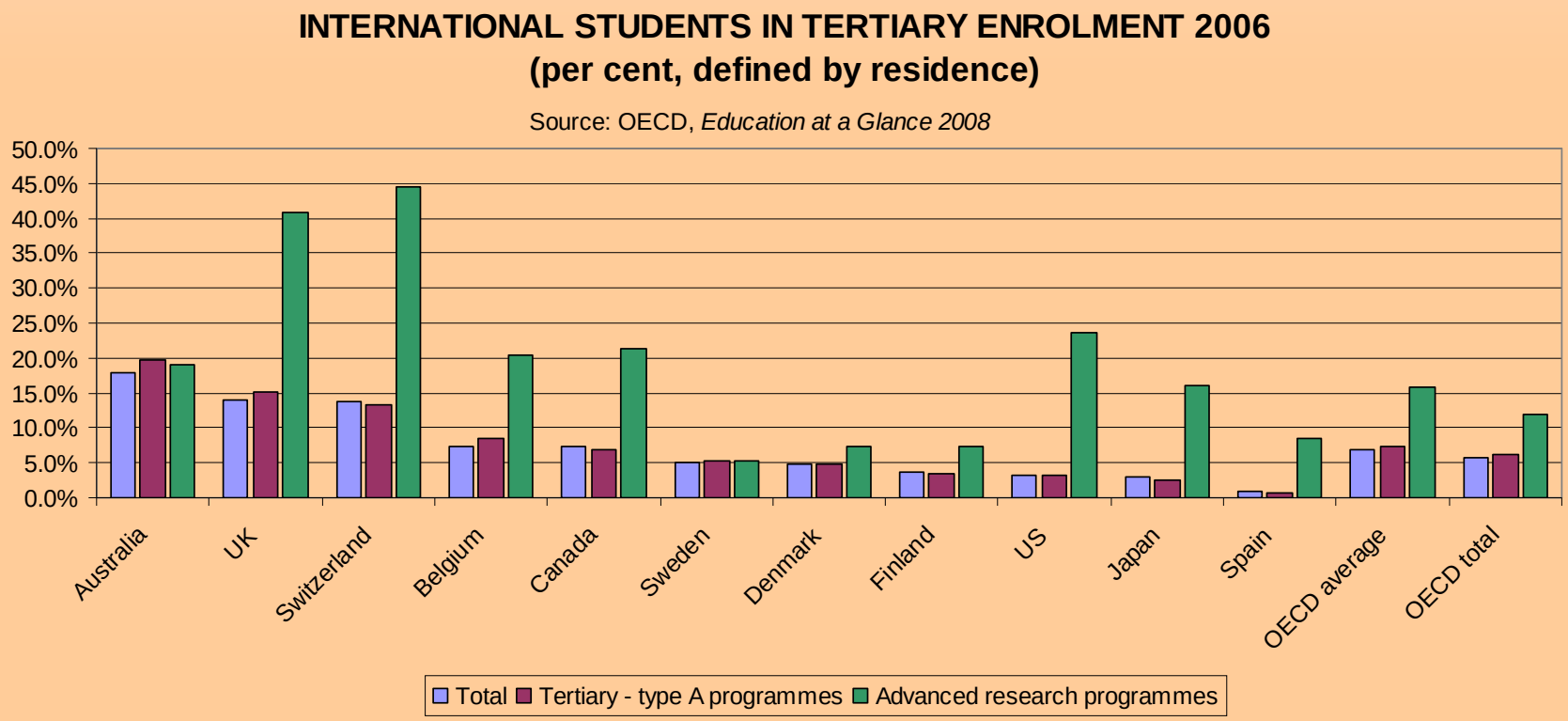
Source: OECD, *Education at a Glance 2008*



1. UK universities in a globalising world

- About 15 per cent of the students in UK universities are international in origin
- The share of international students in post-graduate education is over 40 per cent
- That is higher than anywhere else, except Switzerland
- This reflects the reputation of UK universities and shows that they could not retain that position without international students (and faculty, as well)
- Without such internationalisation, UK universities would not remain world class

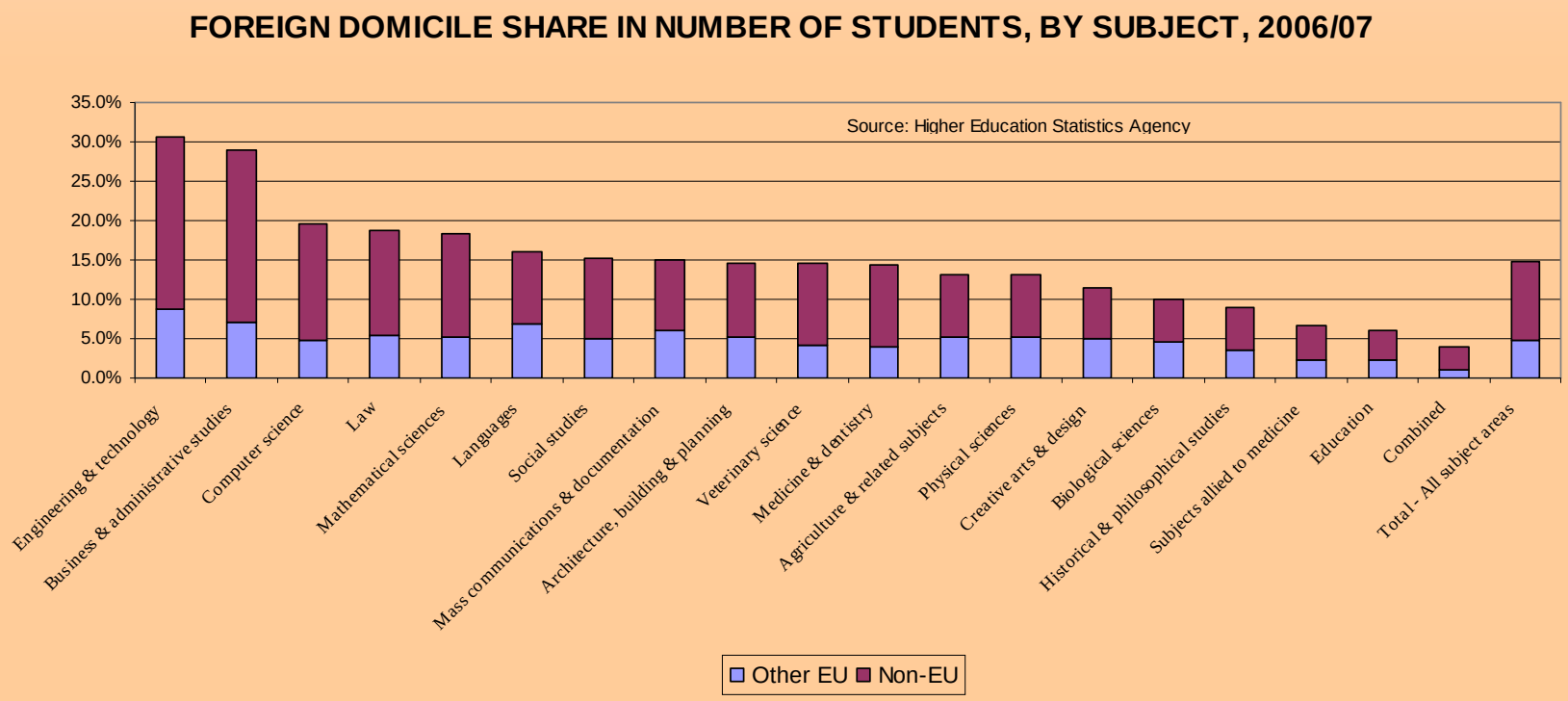
1. UK universities in a globalising world



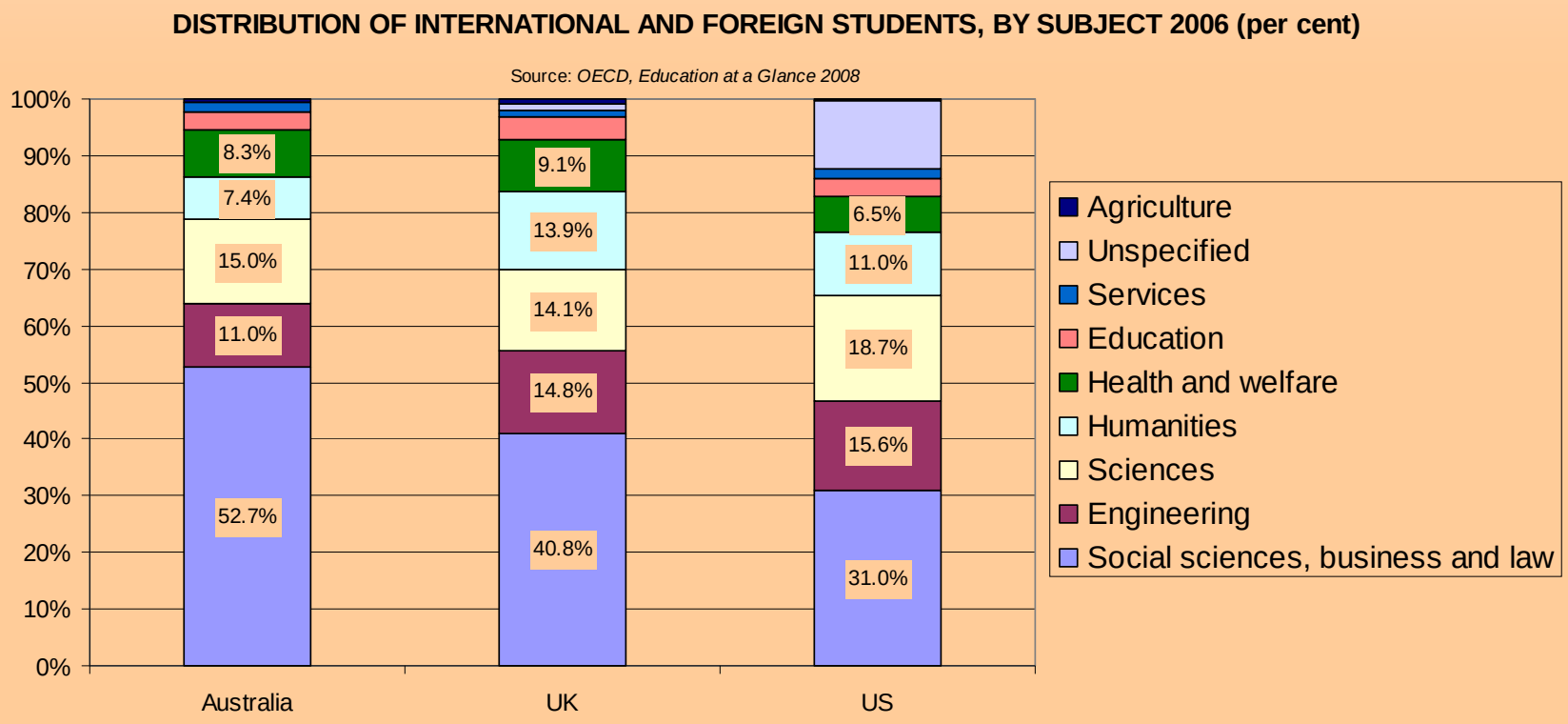
1. UK universities in a globalising world

- International students are relatively important to the faculties of engineering, business studies, computer science, law and mathematics
- Non-EU students are substantially more significant than EU students, with a ratio of about two to one
- Most of the foreign students in the UK are in social sciences and business, engineering and sciences

1. UK universities in a globalising world



1. UK universities in a globalising world



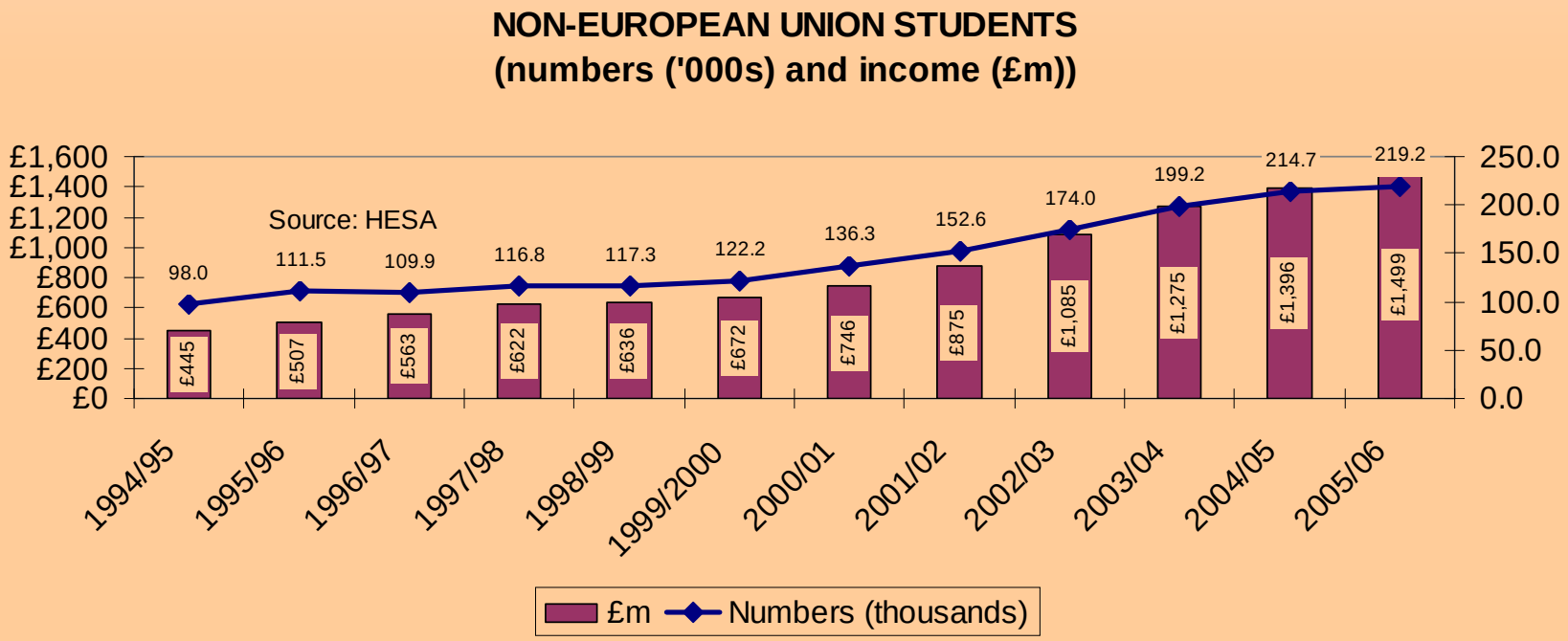
1. UK universities in a globalising world

- In all, this influx is of vast value to the UK, whether or not students stay in the UK after graduation
- It makes the UK more civilised, UK universities more global and the impact of the UK on the world more significant
- Indeed, the globalisation of UK universities may make the most long-lasting impact of the UK upon the world in the 21st century

2. Globalisation and funding of UK universities

- Non-EU students make a substantial contribution to university funding
- In 2005/06, total income of UK universities was £19.5bn. Of this just £4.7bn were tuition fees and £1.5bn fees from foreign students
- Yet teaching functions would be compromised if foreign student income were to disappear

2. Globalisation and funding of UK universities



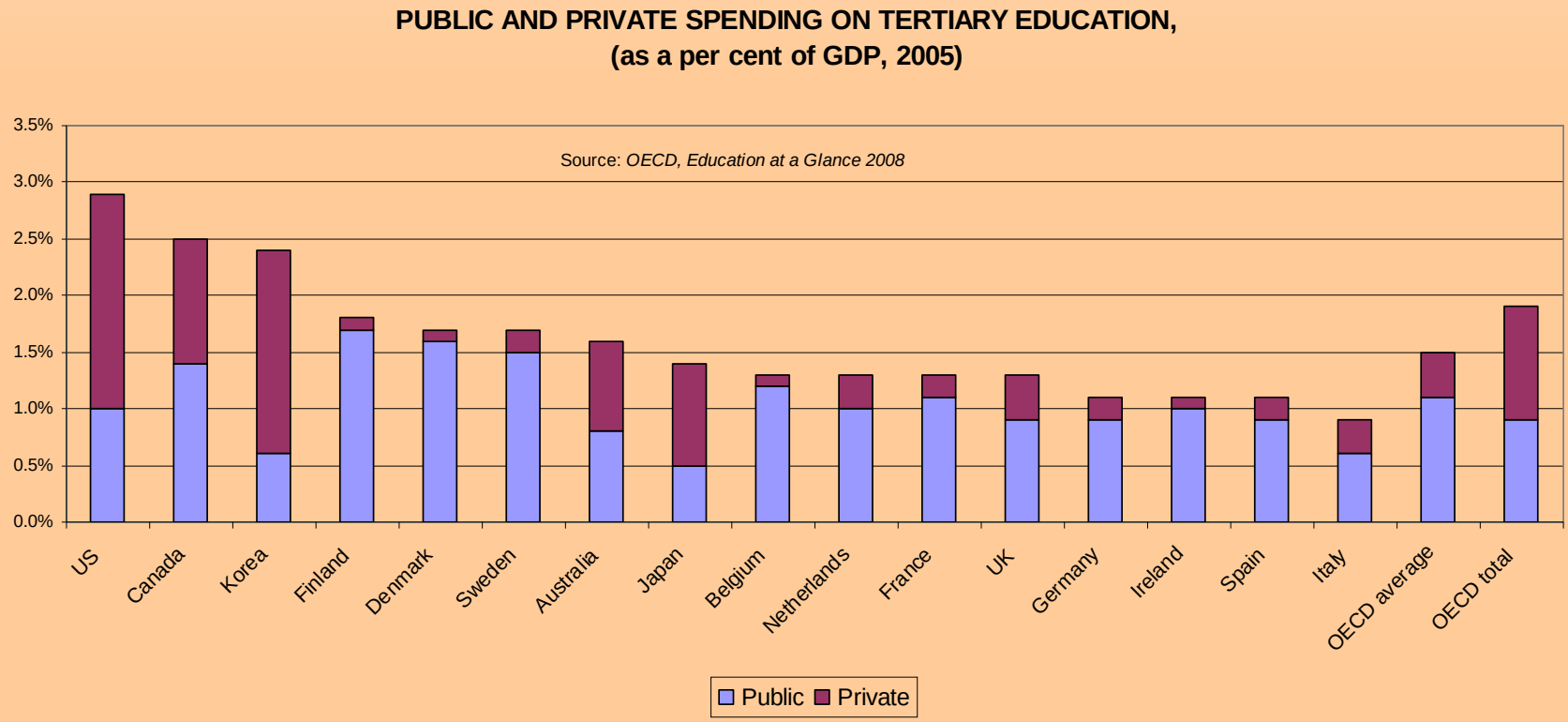
3. Domestic functions of UK universities

- Yet universities are also domestic institutions with domestic purposes:
  - To create the future domestic elite;
  - To educate the more able of the domestic population; and
  - To support the UK economy
- Even now 85 per cent of all students are domestic in origin

3. Domestic functions of UK universities

- Furthermore, the British government wants UK undergraduates educated on the cheap
- It neither wants to pay the price of a first-rate university education itself nor will it let UK students pay the price
- This creates a tension in the universities:
  - Do they serve generally loss-making home and EU students?
  - Or do they concentrate on foreign students?
- And how do they maintain quality?

3. Domestic functions of UK universities



4. Policy challenge

- Nothing should be done that reduces the globalisation of UK universities or worsens their standards
- The latter means that more resources are needed for the top universities
- Some of these must come from higher fees for home students
- At the same time, the way to remove distorted incentives to take international students who may have difficulty meeting required standards is to allow universities to charge all students the same amount

4. Policy challenge

- The government should provide bursaries and loans to those students it wants to help. These would be predominantly domestic
- This would require a radical rethink of the fee cap and loan scheme in the review that is coming due
- It is the only way to proceed that is consistent with freedom for universities and maintenance of quality