The Impact of the Financial Crisis on Tertiary Education

Jamil Salmi
Budva, Montenegro
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outline of the presentation...

• How bad is it? Impact of the financial crisis

• How desperate is it? The way forward
key features of this crisis

- deepest post-war recession
- most synchronized recession on record
- manufacturing has been particularly hard hit
- employment has fallen and unemployment has risen
depth and synchronicity

Largest consecutive two quarter decline in GDP (at an average annualized rate)

Proportion of all OECD economies experiencing at least two consecutive quarters of downturn
impact of the crisis on tertiary education

- how resource flows are affected
- responses of tertiary education institutions
- scenarios for the tertiary education sector
resources flows

• reduced government funding for teaching, research and student aid

• reduced resources for institutions as demand falls (new domestic and foreign students, dropouts)
resource flows (II)

• fewer resources from private sector (donations, contracts)

• fall in stock market values reduces value of endowments and pension funds
differential effects

- scope of crisis
- country and type of institution
- business model and financing strategy
  - how endowment funds are invested
  - how endowment resources are used
  - balance among various sources of income
response of tertiary education institutions

• budget cutting measures

• revenue generation
budget cutting measures

- employment-related
- programs and academic organization
- students (number, teacher/student ratio)
- efficiency measures
revenue generation strategies

• demand-linked measures
• financial measures
scenarios for the tertiary education sector

- graduate unemployment
- shifting demand (from long to for shorter duration programs, private to public, foreign to domestic)
- increased inequality
- deteriorating quality (with fewer resources)
outline of the presentation...

• impact of the financial crisis
• the way forward
importance of tertiary education

- large and often growing earnings differentials
- positive effects on health and civic participation
- in time of crisis, job prospects for less qualified youths deteriorate further
implications for governments

• increase scholarships and establish / adjust / strengthen student loan programs
• include tertiary education in economic stimulus plans
  – R&D
  – entrepreneurship for innovation
opportunities

• efficiency gains and no-frill options
• innovations and startups
• attracting foreign students
• fund-raising
  – philanthropy
  – reaching out
• strategic renewal
implementing structural reforms

• strategic focus
  – areas of priority
  – new academic model
  – new business model
strengthening financial planning and management

• information and monitoring
• fund-raising strategy and team
• investment strategy
• contingency planning
proportion of self-generated income

- Chile: 74%
- Peru: 34%
- Ecuador: 30%
- Colombia: 22%
- Bolivia: 18%
- Argentina: 17%
- Costa Rica: 15%
- Dominican Republic: 13%
- Brazil: 11%
- Venezuela: 10%
- Mexico: 10%
- Uruguay: 9%
- Panama: 6%
- Australia: 57%
- Canada: 45%
- Korea: 42%
- UK: 39%
- USA: 33%
- Poland: 25%
- Spain: 20%
- Turkey: 5%
Growth in university-level qualifications

%  

- Canada
- United States
- New Zealand
- Estonia
- Finland
- Australia
- Norway
- Sweden
- Netherlands
- Switzerland
- United Kingdom
- Denmark
- Japan
- Germany
- Iceland
- Belgium
- OECD average
- Luxembourg
- EU19 average
- Ireland
- France
- Spain
- Hungary
- Slovenia
- Greece
- Austria
- Poland
- Korea
- Slovak Republic
- Czech Republic
- Italy
- Mexico
- Chile
- Brazil
- Turkey
- Portugal

2000's
1990's
1980's
1970's
conclusion

• differential effects depending on
  – country context
  – strategic positioning
• short term reactions vs. long term realignment