Comparing higher education reforms in the recent debt crisis, the Portuguese, Spanish, Italian and Greek cases. From the same contexts, different solutions?

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Abstract

This communication provides a comparative analysis of recent funding reforms in the Mediterranean Higher Education area. The aim of this work is to analyse the recent debt crisis as a catalyst for the implementation of long anticipated changes, in the higher educational systems, in order to improve the tools for quality, efficiency and accountability. A good example of this is the recent reforms in higher education which came from applying the Bologna Process targets and their benchmarks. Since the introduction of the austerity measures by the IMF, and the “Troika”, the discussions about Greece or Portugal have focused on the frequent incidents of social unrest, also the prediction of the exact day of their bankruptcy, and all the evils of government budgets deficits. Italian higher education suffered since the 90' reforms, decreasing budgets, the inheritance of Berlusconi's neoliberal policies. On the other hand, the problems of financing the autonomous communities in Spain are a threat that might make disappear the university autonomy. We are seeing the public model changing fast. All of these governments are determined to reduce the state's financial involvement in institutions and invite more private investment, while the academic community and the citizens appear equally determined to safeguard the public nature of the countries' higher educational systems.

Subjects: Spanish, Portuguese, Greek and Italian providers of education and training; Higher education; Research; Policy; Governance; Teaching and learning

Keywords: University; Bologna process, Debt crisis, Case study; Educational policy; Policy analysis; Education and training reform; Educational practice

Europe’s debt problems are an old story

Like so many European leaders since, the tyrant Dionysius of Syracuse (405-367 BC) was addicted to spending. To fund his wars, he borrowed heavily from his inhabitants.

Eventually, he was unable to service the debt. Dionysius’ solution was simple. He confiscated all the coins in the city. Then he restamped the coins. One drachma instantly became two. Like their compatriot 2500 years earlier, today’s leaders of Greece remember the

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1 The opinions and arguments expressed in this communication are based on the author’s personal views
same problem. The Greek Parliament voted February 12th, whether to accept the latest deficit-cutting terms and conditions accompanying offers of near 200 € billion in financial help from the European Union and International Monetary Fund. The austerity measures are designed to avert further economic calamity for the bankrupt country.

In this context, the Greek government already has slashed spending and agreed to cut 15,000 public-sector jobs, loosen labor laws, lower the minimum wage by 22 % and negotiate with banks for debt write-offs. These cuts include pensions; sure, the higher education will be the next victim.

Portugal's crisis, by contrast, has come to a boil slowly. The Portuguese spent nonetheless. The economy—government and private sector together—has run cumulative deficits with the rest of the world of more than €130 billion over the past decade. The state hasn't had a balanced budget, let alone a surplus, for more than 30 years. The result is a pile of debt. The government's debt, some of which is held domestically, will approach 90% of gross domestic product this year. The entire economy, including both the public and private sectors, owes foreigners an amount equal to more than two years' of economic output.

The Italian government's debt, at 118% of GDP (annual economic output) is certainly high, even by European standards. But dig a little deeper, and the picture changes. Unlike their counterparts in Spain or the Irish Republic, ordinary Italians have not run up huge mortgages, and generally have very little debt. That means that according to the Bank of International Settlements Italy as a country—not just a government—is not actually terribly indebted compared with other big economies such as France, Canada or the UK.

For last, Spain will make budget cuts worth more than 27 billion euros in 2012, including a freeze on public workers' salaries, to rein in its public deficit. All departments will have an average reduction in their budgets of around 17% this year. Spain is racing to reduce its public deficit to reassure markets that it will not follow Greece, Ireland and Portugal in requesting an international bailout. The government unveiled its austerity budget for 2012 a day after a general strike against spending cuts and labor market. As the government unveiled its budget, finance ministers from the euro zone were meeting in Copenhagen to decide on the size of a financial firewall for the euro zone. Spain must bring down the public deficit to the equivalent of 5.3 percent of economic output this year from 8.51 percent last year. That would mean at least 20-30 billion of Euros in austerity measures, on top of 8.9 billion Euros in spending cuts and 6.3 billion Euros in tax increases already announced this year. The task is complicated by the recession, with the optimistic predicting a 1.7-percent slump in economic output this year.

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3 Spain swings budget axe to save 27 bn euros EXPATICA.COM news and information for the international community 30/03/2012
The most important recession since the Great Depression of the 1930s led to an increase in the gross debt of the European Union from 61.5% of its GDP in 2008 to a projected 83.7% in 2011, putting governments’ public spending power under pressure. Really, it’s the worst landscape for higher education in these four countries. The international financial crisis and the reformation model of the European economy seem to affect the also attempted reforms in the European Higher Education Area.

Impact of the economic crisis on European universities
Trends in public funding

On average, almost ¾ of universities’ funding comes from national or regional public funding sources (73%). 9% from student contributions, for other 6% from contracts with business sector, also from international public funding, philanthropic funding and service-related income, respectively, 5%, 4% and 3%.


The European University Association (EUA) has been watching the evolution of the economic crisis and its effects in Europe since its onset in 2008. Especially, to look at the
impact of the crisis on universities’ public funding. Their surveys show that European higher education systems have been affected very differently.

In Italy, universities’ public funding is expected to be reduced by close to 20% by 2013, dashing previous expectations of a more gradual cut of 10% over the same period. However, the cut will also have the effect of diminishing universities’ income from tuition fees, which are limited and cannot exceed 20% of their total public funding. The situation appears critical as some 25 universities already face a default in the near future. Public authorities contemplate a 1 to 1.5 billion € budget cut for 2011; at the same time, a wide-ranging reform of the higher education system is being passed, which will affect the way funding is delivered to universities. The situation is also critical in Greece, where the government has set a target to cut universities’ academic and maintenance budgets by 30%, however leaving universities the choice of how to implement these savings themselves. Also they have had to lowering their staff’s salaries, as has been the case in Ireland, Spain and Portugal, where salary reductions have been undertaken across the entire public sector.

Despite the gloomy predictions for the future of Greek economy, somebody thinks, like the professor Vangelis Tsiligiris⁶ that it is a catalyst for changes, which allows a great degree of optimism, for example in the Greek higher education system. It has been necessary a big bang to change the wider Greek public⁷.

While the data on the depth of budget cuts gives a good overview of the state of play of public funding in these countries, the survey of EUA has also studied the broader and more subtle impacts of the crisis on their universities, looking in particular at the changes and shifts in the nature of universities’ public funding.

Source: EUA 2012 Annual Conference “The sustainability of European universities” Thomas Estermann. Head of Governance, Autonomy and Funding Unit. EU

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⁶ College Principal, MBS College, Greece. PhD cand., Birmingham City University, UK

The European Commission warned from 8th February that cuts in education that countries like Spain are carrying out, (also Portugal and Greece), to reduce the deficit and to combat the debt crisis, put in risk their economic growth and competitiveness. The Community’s Executive recognizes that EU would not reach the objectives to reduce 10% of school’s abandonment and it increase 40% the rate of graduates to 2020. Malta (36,9%), Portugal (28,7%) and Spain (28,4%) have the highest rates of abandonment, while the community stocking is located in 14,1%. In contrast, Spain has already achieved the goal regarding the higher education (with 40,6% of graduates in 2010). In the group of the EU, the average of this is 33,6%.

In the case of Spain, the expense in education went down of 4,98% of the GDP in 2009 to 4,91% in 2010, below the community stocking. The first relative estimates to last year they point to an additional cutting of around 4%. Most of these adjustments, according to Brussels, correspond to the wage of the professors.

**Interpreting the magnitude of these cuts**

These budgetary cuts no doubt appear significant. But it is difficult to get a full measure of its magnitude without geographic and longitudinal comparisons. This reduction in the public budget of higher education matches cuts which happen in other regions of the world. 70% of states in the US have experienced cuts in public spending allocated to higher education, in comparison to 66% in the European Union. The EUA added that cuts lead to higher education institutions and governments are changing the way higher education is managed. The cuts in public budgets lead to various coping strategies, e.g. increasing tuition fees, class sizes, limiting permanent employment, allocating more targeted and competitive funding as opposed to block funding which, EUA adds, leads to a potential fragmentation of universities’ budgets and management.

**Effects on teaching and research**

At institutional level, signs of just how deep the impact of diminished teaching budgets will be have already started showing at Spanish higher education system. Evidence shows that in some universities, budgetary restraints have already caused universities to close some offered programmes, close down smaller or associated university departments. Overall European governments have discarded previous commitments to increase research funding. Now when this communication is ending, this is the headline of the Spanish policies, the modified investment plans have mostly affected its universities’ research capacities. This

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way has been experienced through a slower pace of research funding announcements and the reduction or suspension of some research funding programmes. Portugal, as well as examples from other countries, has revealed that funding is increasingly targeted to achieve specific objectives, usually in line with strategic national priorities.

**Issues with current EU research funding**

**Diversity of instruments** all around ours southern countries, with a variety of eligibility criteria, participation requirements, and diverse financial and administrative rules.

High **entry barrier** for universities, in particular from linker new partners.

Excessive bureaucratic costs (application, management and control) determine more and more universities from keeping up their level of participation (including highly renowned technical/research-oriented universities).

However, many universities are seeking EU funding because of **reduced national public budgets** will apply even to unattractive funding models.

Two worrying developments: quality of applications and **broadened funding gap** for the universities’ research activities.

**Effect on university autonomy**, a double edged-sword, accountability against less freedom, and flexibility to attend the crisis.

The changes described above clearly reveal that public funding is not only diminishing, but also changing in the nature and form in which it is provided to universities. As described above, the trend has shown that public funding is increasingly provided subject to conditions to its allocation or accompanied with growing accountability requirements. This is a double edged-sword. This has given public authorities increasing steering power over universities, which can have counterproductive effects as it can significantly contribute to reducing universities’ autonomy and their capacity to manage their own funds freely. Such developments are worrisome as they can hinder universities’ capacity to overcome the crisis successfully. The monitoring of the impact of the crisis on European universities has clearly shown that the universities’ ability to respond effectively to the ongoing economic situation has largely depended on the level of their institutional and, especially, financial autonomy. In this sense autonomy is seen as the prerequisite to overcome the crisis successfully by allowing universities the freedom to allocate their funds strategically, and protect those areas that are crucial to the fulfilment of their institutional missions.

**The Portuguese case**

In the last decades Portugal experienced a significant change regarding higher education admission and participation, as it passed from a little more than 24000 students in 1960/1961 to
more than 400000 students in 2010/2011\textsuperscript{11}. In broad terms, we can name as main factors the significant quantitative growth, the development of post-graduate education, the expansion of the higher education network to all the regions in the country, the implementation of a private education system and the concession of pedagogical-scientific, administrative and financing autonomy to the public higher education institutions\textsuperscript{12}. In other hand, just 28\% of the Portuguese population between 25 and 64 has completed high school\textsuperscript{13}.

Portugal - Higher Education Student Enrollments

Source: Direcção Geral do Ensino Superior

Portuguese Higher Education crisis began in 2007, for example, in this year, there was a reduction at current prices more than 6\%, also the Government decreed public HE institutions as employers would have to start paying 7.5\% (11\% 2008 and 2009) over the total payroll to Civil Service Pension Fund. This imposition portrayed the most violent budgetary reduction undergone within higher education over the last decades. Since the 2006 budget, the higher education funding policy followed has given priority to the funding of science, through the supports provided by the Fundação da Ciência e Tecnologia (Portuguese Science and Technology Foundation) (which passed from an inscribed budget of 162,4 million euros of the national budget to 374,2 million euros for 2009, that is, over 130\% increase in three years), in detriment of higher education.

Given this pressure and in the scope of cost-sharing, the several governments reflected upon the implementation of a policy of tuition fee application. Portugal has followed up the higher education funding policies in the scope of the international tendencies, mainly concerning cost-sharing. A cost-sharing policy has been identified for two last decades, by the introductions of tuition fees in public education and policies and the development of private

\textsuperscript{11} DGES Direcção-Geral do Ensino Superior Higher education in Portugal consists of a binary system which includes university and polytechnic education, 35 public higher education institutions and 94 private higher education institutions. Available: http://www.dges.mctes.pt/DGES/pt/AssuntosDiversos/FHEQ/

\textsuperscript{12} The new Legal Regime of Higher Education Institutions (RJIES) (Law 62/2007, 10 September), establishes the organisational principles of the higher education system, defining the autonomy and accountability of institutions, establishing Governing Boards with external participation, allowing for diversity of organisation and of legal status of public institutions (these can become public foundations under private law), allowing for the establishment of consortia, and recognising research centres as part of the university management framework.

\textsuperscript{13} The figure is 85\% in Germany, 91\% in the Czech Republic and 89\% in the U.S.
education since the 1980s, changing the burden of the funding the Higher Education in the direction of the students and their families.

Nevertheless the government commitment in terms of financing higher education is decreasing during the last decade and in the framework of the international crisis it is decreasing even more. For many students and families it is becoming difficult to face the costs of Higher Education as well as the student living costs, especially with the impact of the global financial crisis. Better schooling in Portugal won't come quickly. Sharp cuts in its education spending make the task harder. And even if there are improvements, reaping their benefits could take years.

The accessibility notion does not entirely give us the information whether students face or do not face financial barriers to attend HE. Subsequently, there is a concept – affordability – that concerns student ability to pay for their studies, that is, what we can call economical accessibility which means having the necessary resources that enable HE attendance.

Portugal a sunrise on the traffic jams.

Before his failure, Prime Minister Sócrates had pushed some budget cuts through parliament under pressure from other euro-zone countries. But in an interview before political crisis, Mr. Sócrates made clear that investment in education was a priority, despite the costs. Appeasing financial markets was important, he said, but the country shouldn't "lose the strategy and vision."

There is substantial evidence from elsewhere that education confers broad economic benefits. Ireland was one of the EU's poorest countries a generation ago. But it threw EU subsidy money into technical education and remade itself as a destination for high-tech labor, made doubly attractive by low corporate taxes. Ireland is now, even after a brutal banking crisis, among the richest nations in Europe.

"They had an educated-enough work force that they could move into a technology industry, and they rose out of nowhere," says Eric Hanushek, a Stanford University professor. Prof. Hanushek and a professor from the University of Munich have linked GDP growth with population-wide performance on standardized tests. They calculate that Portugal's long-term rate of economic growth would be 1.5 percentage points higher if the country had the same test scores as super-educated Finland.¹⁴

A brief summary of Spanish universities situation.

With more than one and a half million students in 2009-2010¹⁵, 88.9% study in public universities, we dedicate only 0.9% of GDP expenditure on Higher Education, and 0.79% on

research (contraction of a 9% in the past two years). There are 78 universities, 50 Public (including 1 national e-learning university), and 28 Private universities (including 4 e-learning universities). More than 54% are women. There are 108,000 teachers and researchers in the staff; Less than 9% work in private universities.

Research in Spain. Some data: The Spanish National Research Council is the largest researching institution in Spain and the third largest in Europe with 153 research centres and institutes, more than 4000 researches and 1400 trainee researchers. This is the second school year degrees adapted to Bologna Process. As a result, our autonomous system has a lack of coordination with late application of Bologna process. It does not exist real financing of the implementation of Bologna process, quite the contrary, as will be detailed below, cuts.

Work load increased. The three cycles Bologna structure is very different from our previous structure. The Student Centred Learning approach is considered essential but resources including the number of Teaching and Researching staff have not increased according to these needs.

Public funding of public universities is based on regional funding plans

We can found cuts in research funding from both, Central Government and Regions, Central government (8.4% in 2011 and 5.5% in 2010), it may be more this days. Decrease of more than 30% in the budget of some Research institutes. Cuts in the number of programs and the financing. Decrease in the number of non-tenure researches hired in HE and research institutions after more than 12 years of career.

Tuition fees increase of 50% in past 10 years. In onward, the last government notice says that the fees will be increased for other 50% in addition. Now is very difficult to predict the immediate future. For year 2013, it expect that the worse is yet to come: For example, Catalonia announced a program of cuts on the public health and universities, also the rectors in Castilla la Mancha and Valencia have recently said that they are facing problems to pay their staff. The goal of the measure is for the regions won’t have to maintain the burden of financing 85% of university costs. The Universities are exhausted over their budgets, without sources to pay their loans and mortgages. A redundancies plan might arrive yet, also the closing of faculties.

Increasing access to higher education is a specific goal of the Europe 2020 Strategy. As one of the five headline targets, the document proposed that at least 40% of the younger generation should have a tertiary degree. (Europe 2020 – A strategy for smart, sustainable and inclusive growth, Communication from the Commission, March 2010)

16 Spain’s Education Minister Jose Ignacio Wert has suggested the country’s regional governments increase university tuition fees by as much as 50%, El Mundo a wellknow newspaper, reported, without specifying how it obtained the information. Available on:

17 In 2010 and 2011 has contracted over 4% in most regions:
- Galicia (total -12.86%), Aragón (-10.78%), Extremadura (-9.45%), Cantabria (-8.11%), Madrid (-7.99%), Canarias (-6.68%) or Navarra (-4.72%)
- In only 3 of the 17 regions there has been an increase in funding
- Steadily decrease in the number of positions: Part time teachers were not renewed and the position of the retired professors are not covered

On the other hand, last OECD survey about Spain\textsuperscript{19} recommended to link universities’ financing more closely to outcomes to give them greater independence, especially in setting pay and working conditions.

Private funding, may be a solution?

Overall studies show some evidence on the impacts of the economic crisis on universities’ private funding sources. These income sources are becoming increasingly important and help universities’ diversify their income streams and contribute to their overall financial sustainability. The economic crisis has, in many ways, exacerbated the need for additional funding sources, making all the more clear that private sources of income will play an essential role in building sustainable strategies for the development of universities and higher education systems.

In many countries, especially on Greece and Spain, the crisis has fostered and intensified public debate about private sources coming from student financial contributions. These discussions tend to focus on the introduction or increase of tuition fees, which would help universities reduce the funding gap exacerbated by the economic crisis. Despite the resistance that this has encountered in these countries, in particular from students and others who argue that higher education should remain a public good, it is obvious now that changes are taking place.

Accounts collected from philanthropic and other foundations show that their funding base has also been affected by the crisis, which has had an impact on their donating capacity. Reduced income from philanthropic funding has been observed by universities in Spain\textsuperscript{20} and Portugal. In parallel, other countries have also experienced a drop in private income coming from alumni donations and fundraising activities. In the United Kingdom, the main example of this kind of sourcing, these have fallen by one fifth according to some estimates\textsuperscript{21}. Despite measures being taken by universities to spread out the impact of reduced income from these sources over the forthcoming years, this will have a lasting effect on universities’ budgets and could likely affect their ability to diversify their income streams in the future.

Final reflexions; only two countries face to face on the crossroad, Portugal and Italy.

Portugal’s Model\textsuperscript{22}

\textsuperscript{19} OECD Perspectives: Spain Policies for a sustainable recovery. Available on: \url{http://www.oecd.org/spain}


\textsuperscript{21} “Donations to universities down in recession”, J.Shepherd, guardian.co.uk, 26 May 2010. Available: \url{http://www.guardian.co.uk/education/2010/may/26/donations-to-universities-down}

As a summary, Portugal has followed up the Higher Education funding policies tendencies, mainly concerning cost-sharing
- Development of private HE
- Decreased of the public support (the weight of public expenditure in the Portuguese HE dropped from 96,5% in 1995 to 68,1% in 2005 and overall OCDE average remained near from 79,7% to 73,8%).

Portuguese HE tends to be elitist, as equity and accessibility constraints still remain for students from lower income groups. Higher education access and attendance in Portugal remain restricted. Student financial support policies are insufficient and public funding is no more than 5% of public expenditure on higher education. Over the last decade average grants awarded to higher education students have been losing purchasing power. By the way annual average grants only cover about a ¼ of the annual education and living costs of students.

Certainly, equity and accessibility should be enhanced by means of a change in the funding policy of the social support. Study grants are the proper mechanism to support low-income students. Other students can turn to loans (conventional loans) for support. The loan program should be extended to a larger number of students and it is expected to achieve more significant levels in the medium-term. A hybrid loan mechanism should be considered, so as to enable graduates the deferment of loan repayments in situations of unemployment, professional training or low-income periods.

Finally, the Portuguese Higher Education lived a serious crisis since 2007 and 2008 and several universities during these last years had to received some extra funds to pay their legal costs (Human Resources). The Budget of 2009 was not enough to support all the mixed expenses.

**Italy, another paradigm, from University to achieve university reform and their budget cuts**

Italy’s high-profile budget cuts in December offer little hope for higher education investment in the country in 2012. Mario Monti, the country’s recently installed "technocrat" prime minister, is president of Bocconi University in Milan, where he also served as rector from 1999 to 2001. Accordingly, he might be expected to understand the importance of universities and research to Italy. Yet the country’s debt mountain leaves him little room to make overdue investment in the sector. With a 20 % fall in higher education funding predicted by 2013 even before December’s “Save Italy” budget cuts, most expect more pain to follow.

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Nonetheless, the appointment of Francesco Profumo, the former head of the country’s national research agency, as minister for education, universities and research has been welcomed by Italian universities. Mr. Profumo, a former head of the Polytechnic University of Turin, is considered an enthusiastic reformer and his arrival could signal changes to the country’s ailing higher education system.

**Overall looking for the financial sustainability, making the right trip.**

University leaders and other higher education representatives from across Europe came together last month (22-23 March-2012) at the European University Association’s Annual Conference to discuss and identify the most important elements of ‘sustainability’ for individual universities and for the higher education sector in the future.

Public funding is crucial for universities and additional funding sources, even when combined, do not have the potential to replace sustainable public funding for teaching and research (therefore the attraction of additional income sources should not lead public authorities to reduce higher education investment).

In this way firstly, identifying costs of all activities and projects, after diversification of income streams, at the end, it may be recover sufficient and sustainable public funding. Nowadays, it is the main problem of these four countries systems; changing modes of public funding to reach a competitive funding, increasingly relevant for universities in context of stagnating budgets – success rate may even be criterion for funding formula. We must to require universities to invest in their support capacities. Often from the co-funding requirements.

Also targeted funding. Some authorities tend to cut in block grants and re-introduce targeted funding geared towards the achievement of specific objectives. It probably means restricts autonomy. Increased use of output criteria must direct university’s strategic choices.

**Simplification of funding rules**

Public authorities and other funders can support universities by streamlining the modalities and requirements of their funding programmes. Excessive complexity of rules and reporting obligations are deterring universities from diversifying their funding streams. Simplification of rules will ensure that both financial and human resources are released for the primary objectives of excellent teaching and research. This should be underpinned by proportionate accountability measures as well as consistent rules and terminology across programmes.

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Complex financial management

Perceived complexity of European funding schemes

In comparison to national/regional funding programmes, European funding schemes have:

- 75% more complex requirements
- 15.9% similar requirements
- 9.1% less complex requirements

Source: EUA 2012 Annual Conference “The sustainability of European universities” Thomas Estermann. Head of Governance, Autonomy and Funding Unit. EU

References


