

**QS-APPLE Kuala Lumpur 2009**

**After the “global financial crisis”:  
the future of international higher  
education**

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# After the “global financial crisis”: the future of international higher education

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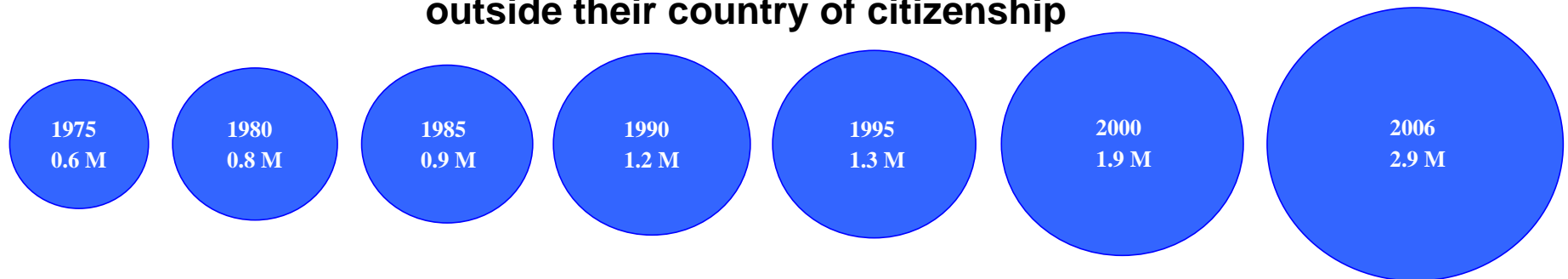


"A sign of the times!?"

- What has driven the growth of international higher education?
- What structural changes were taking place before the global financial crisis?
- What short-term impact has recession had on the market for international higher education?
- How might the recession impact the market in the longer term?

# The growth of international higher education 1975-2006

## Long term growth in the number of students enrolled outside their country of citizenship



*Source: OECD Education at a glance, 2008*

# Main source regions of international students

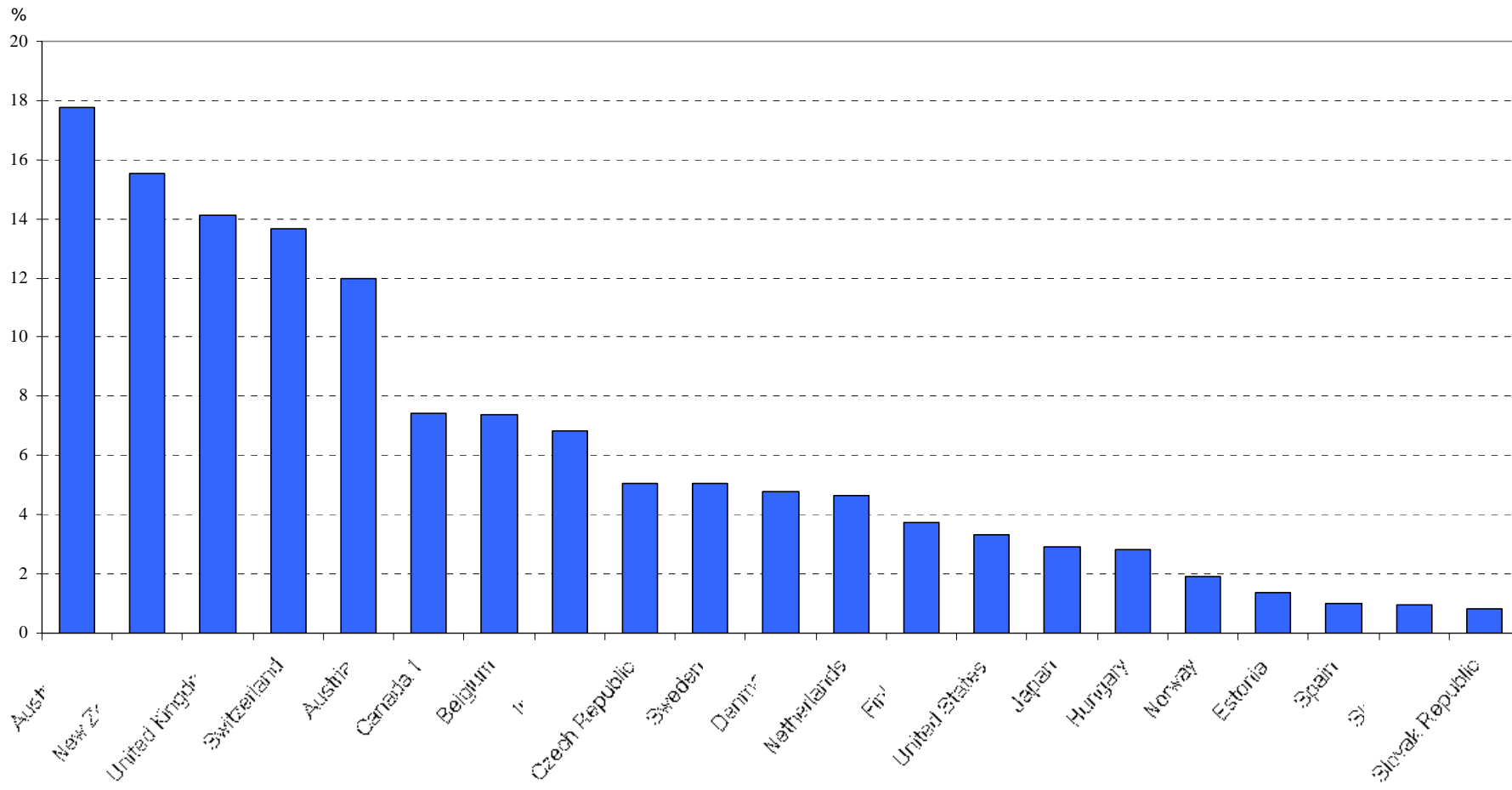
<b>Asia</b>	<b>Latin America</b>	<b>North America and Western Europe</b>	<b>Sub-Saharan Africa</b>	<b>Unspecified</b>	<b>Total</b>
1055459	168231	499923	217971	250314	2191898
48.2%	7.7%	22.8%	9.9%	11.4%	100.0%

Source: UNESCO Global Education Digest 2009

# Main host countries of international students (% of enrolments)

## Student mobility in tertiary education (2006)

Source: OECD Education at a glance, 2008



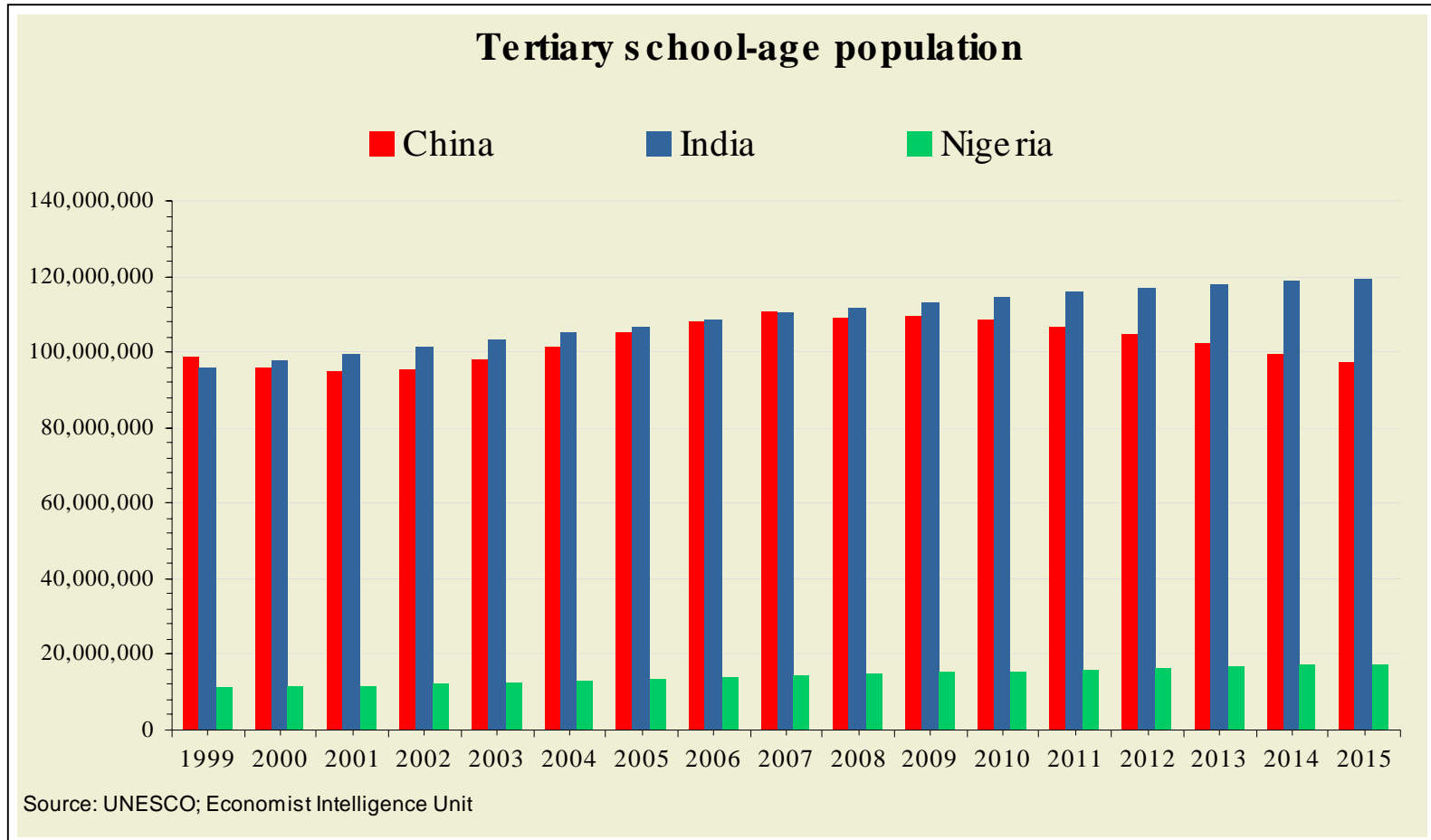
# What has driven the growth of international higher education?

- Some longer-term perspectives.....
- The world's elites are mobile and willing to pay for the best education
- Governments have sought to attract international students:
  - To support economic development (eg, Colombo Plan)
  - For geo-political ends (to build alliances with future political leaders)
  - To increase inflow of skilled migrants
- Universities have sought the most talented students, especially for postgraduate research programmes
- *.....but these factors do not explain the rapid growth of international higher education in recent decades*

# Why do students want to study abroad?

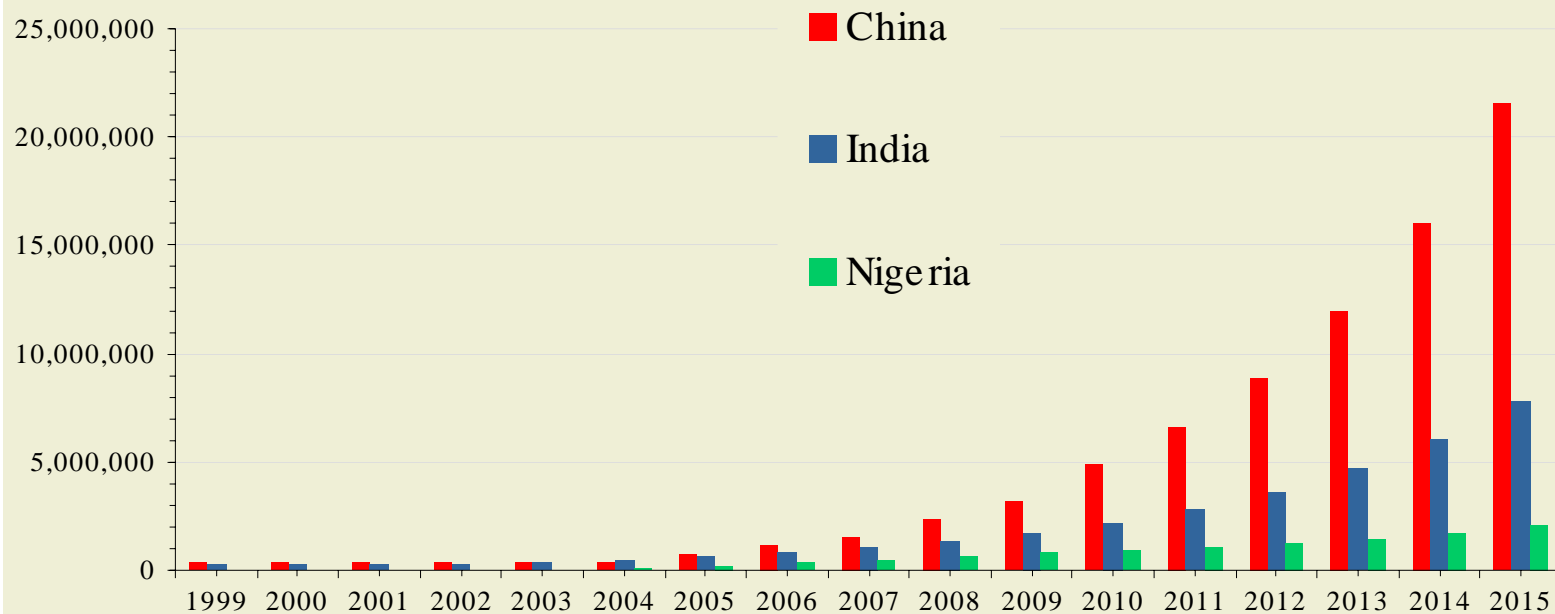
- Drivers of demand for higher education in developing countries:
  - population demographics
  - *per capita* GDP growth
  - income distribution ('size of middle class')
  - knowledge economy
- Domestic higher education sector expansion too slow...
- ...so unsatisfied demand by those with the ability to pay "spills over" into universities in the developed world
- GDP growth fuels both demand *and* ability to pay

# Population demographics *plus...*



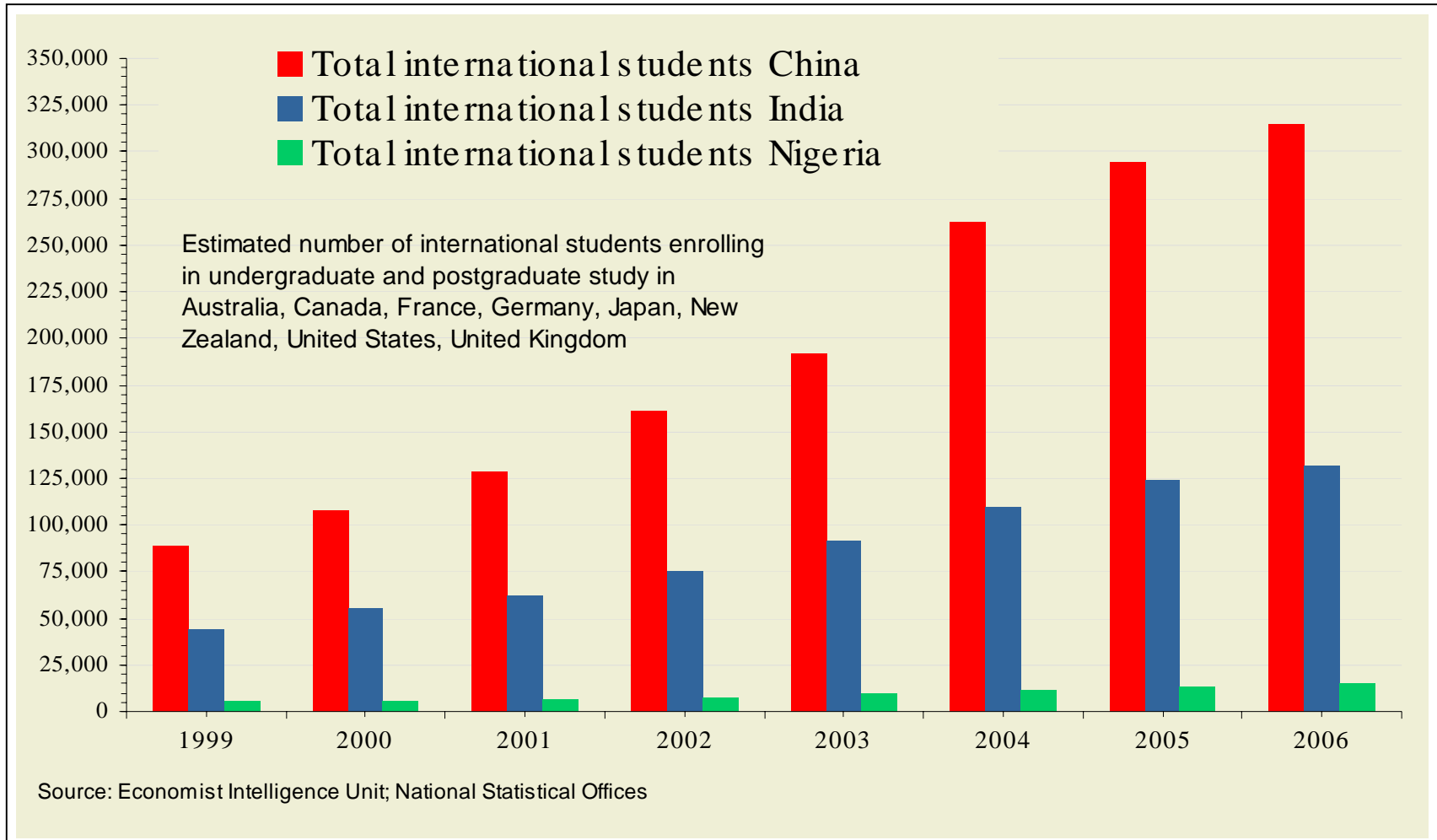
...growing household income *equals*...

**Number of households with annual income > US\$25,000  
(nominal)**



Source: Economist Intelligence Unit

# ...students seeking university places abroad



# Why do public universities in developed countries want international students?

- Paradox of democratisation of higher education
  - Rising participation rates lead to budgetary pressures on taxpayer subsidies to higher education....
  - ...falling *per capita* subsidies to universities...
  - ...introduction of (politically regulated) domestic tuition fees
- As resources squeezed, taxpayer subsidies for international students first to go
  - full-cost international tuition fees introduced
  - full-cost fees make international students more financially attractive than domestic students

# Tertiary Gross Enrolment Rates (2006)

United States	82%
New Zealand	80%
Australia	73%
United Kingdom	59%
Malaysia	29%
China	22%
Indonesia	16%
India	12%
Vietnam	9% (2000 latest data)

Source: UNESCO Global Education Digest 2008

## The “perfect storm”

- Rapid growth in demand for international higher education from developing countries, as demand for places exceeds growth in capacity of domestic universities

*meets*

- Supply-side response by universities in developed world, to expand international enrolments for financial motives

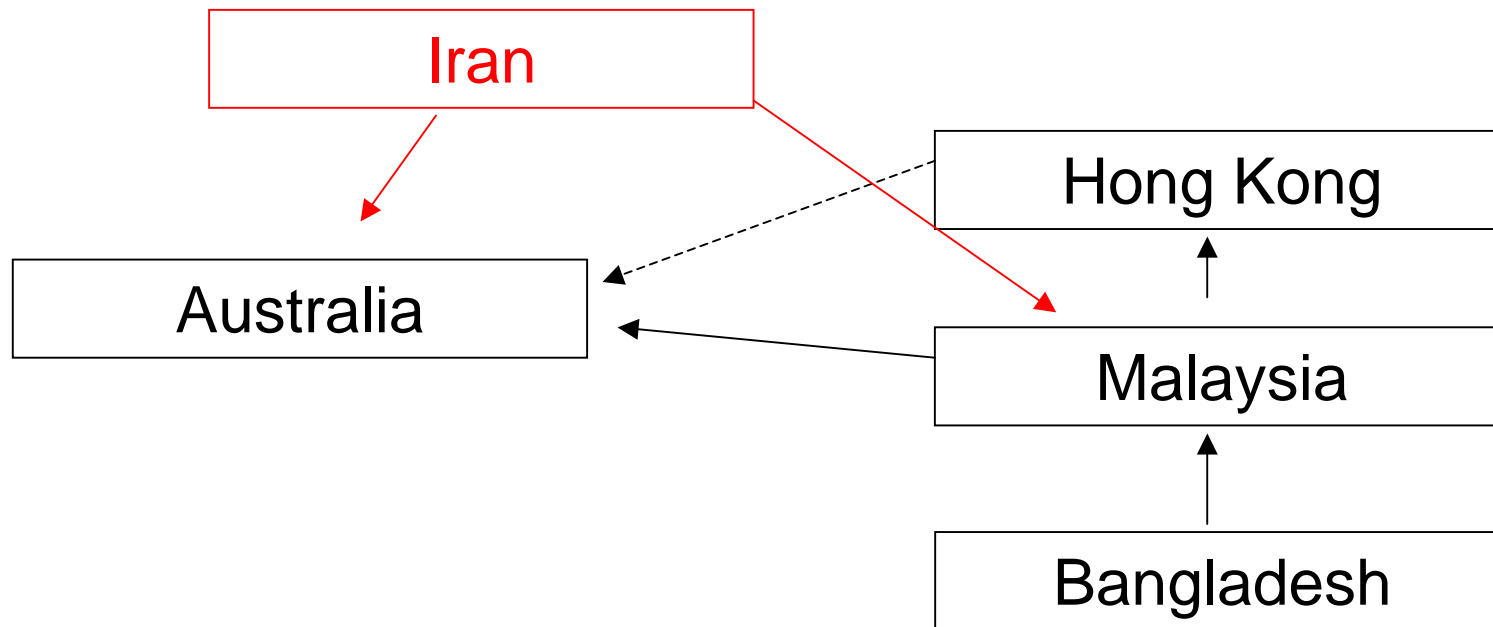
# What structural changes were taking place before the global financial crisis?

- On demand-side
  - Major expansion of higher education in developing countries – both quantity and quality improvements
  - Growing market sophistication (eg, league tables)
- On supply-side
  - Bologna – standardisation of degree structures, English medium instruction, new competitors
  - Growing fiscal pressures leading to more countries seeking international students
  - Other countries entering market for geo-political reasons

# Perfect storm abating

- Growth in demand for international higher education starting to slow from some source countries...
- ...and changing from undergraduate to postgraduate as domestic universities expand
- On supply-side, market more competitive
  - new entrants (Europe)
  - source countries become competitors

# The changing market dynamics



# What short-term impact has recession had on the market for international higher education?

- On the demand-side
  - Recession has been concentrated on developed countries, especially UK and US
  - Main source countries in Asia relatively unaffected
- On the supply-side, universities in developed countries under pressure from:
  - Pressure on government's fiscal resources
  - Fall in endowments, alumni giving
  - Loss of executive education and other cyclical income streams
  - **So increased pressure to recruit international students**

# GDP forecasts for selected developed countries

<b>Country</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
France	-2.36%	1.52%	2.77%
Germany	-5.30%	0.91%	2.50%
United States	-2.73%	0.90%	1.76%
United Kingdom	-4.39%	0.34%	1.47%
Singapore	-3.33%	4.10%	4.31%
Australia	0.73%	1.96%	3.30%
Japan	-5.37%	1.68%	2.38%

Source: IMF World Development Indicator

# GDP forecasts for selected developing countries

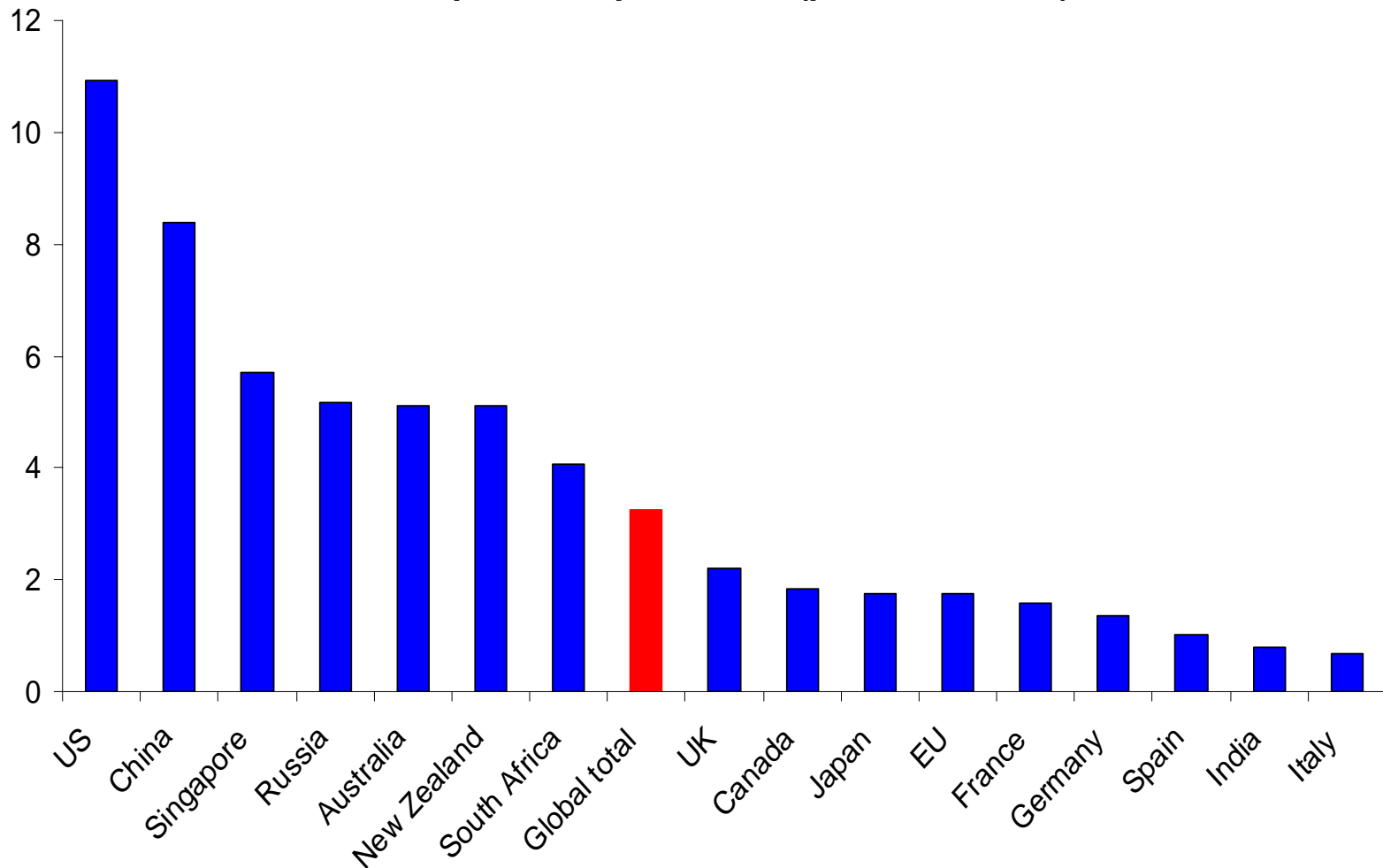
<b>Country</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
China	8.50%	9.03%	9.74%
India	5.35%	6.42%	7.28%
Indonesia	3.99%	4.75%	5.00%

<b>World</b>	<b>-2.32%</b>	<b>2.25%</b>	<b>3.39%</b>
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Source: IMF World Development Indicator

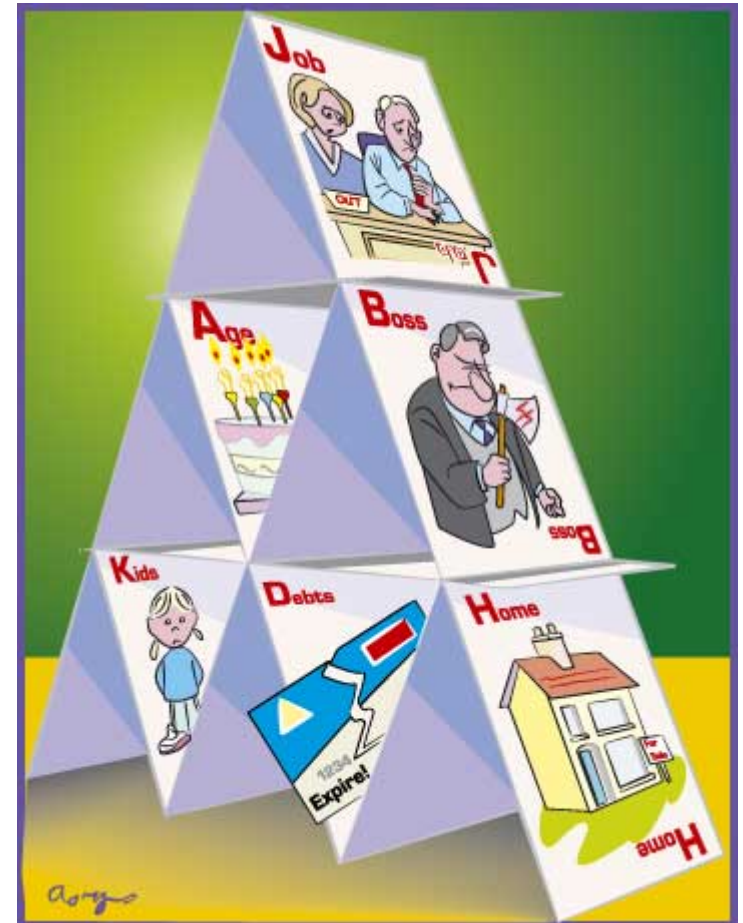
# ...and deteriorating fiscal outlook post-stimulus packages in developed countries

Fiscal expansions post crisis (percent of GDP)

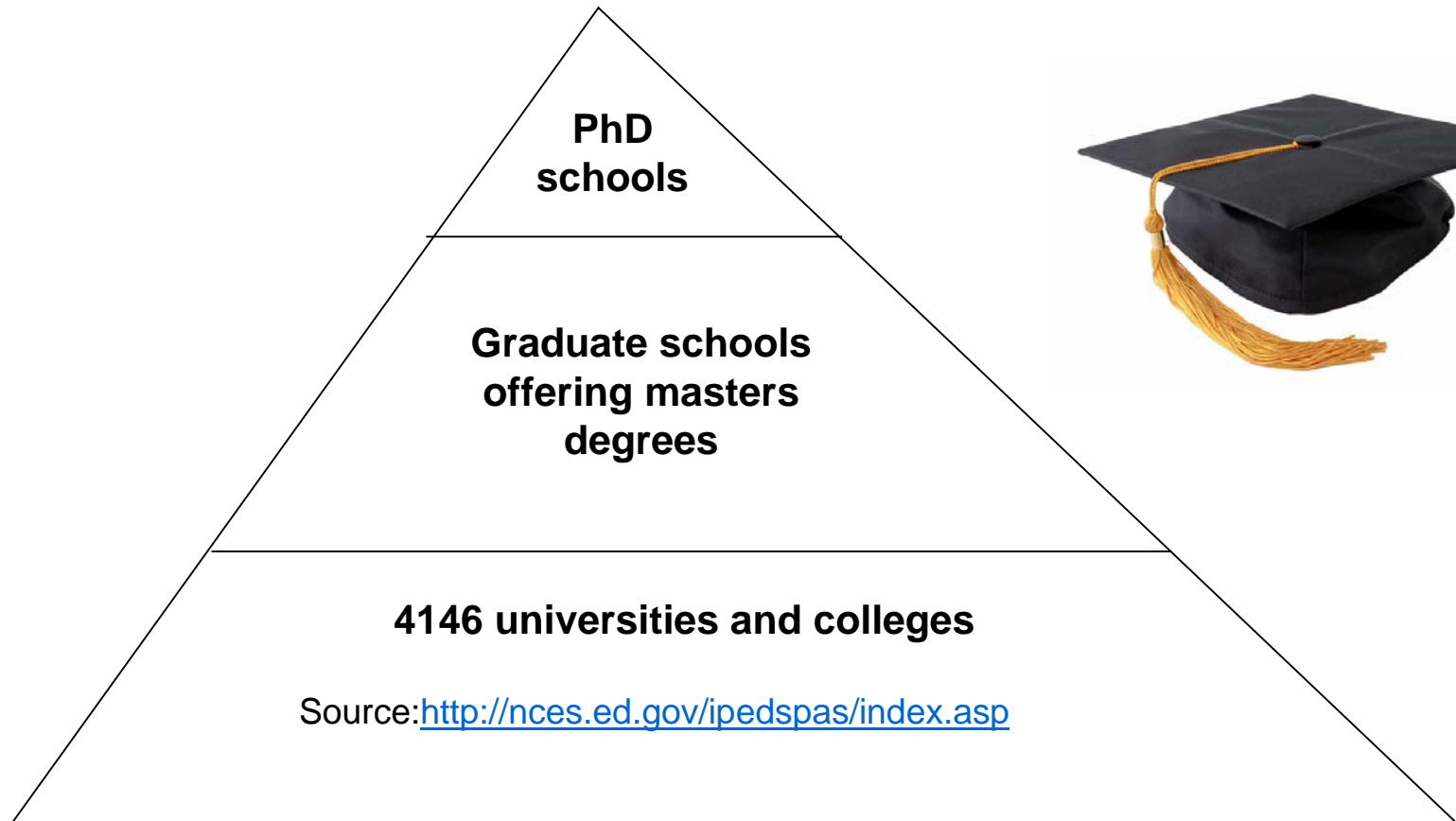


# How might the recession impact the market in the longer term?

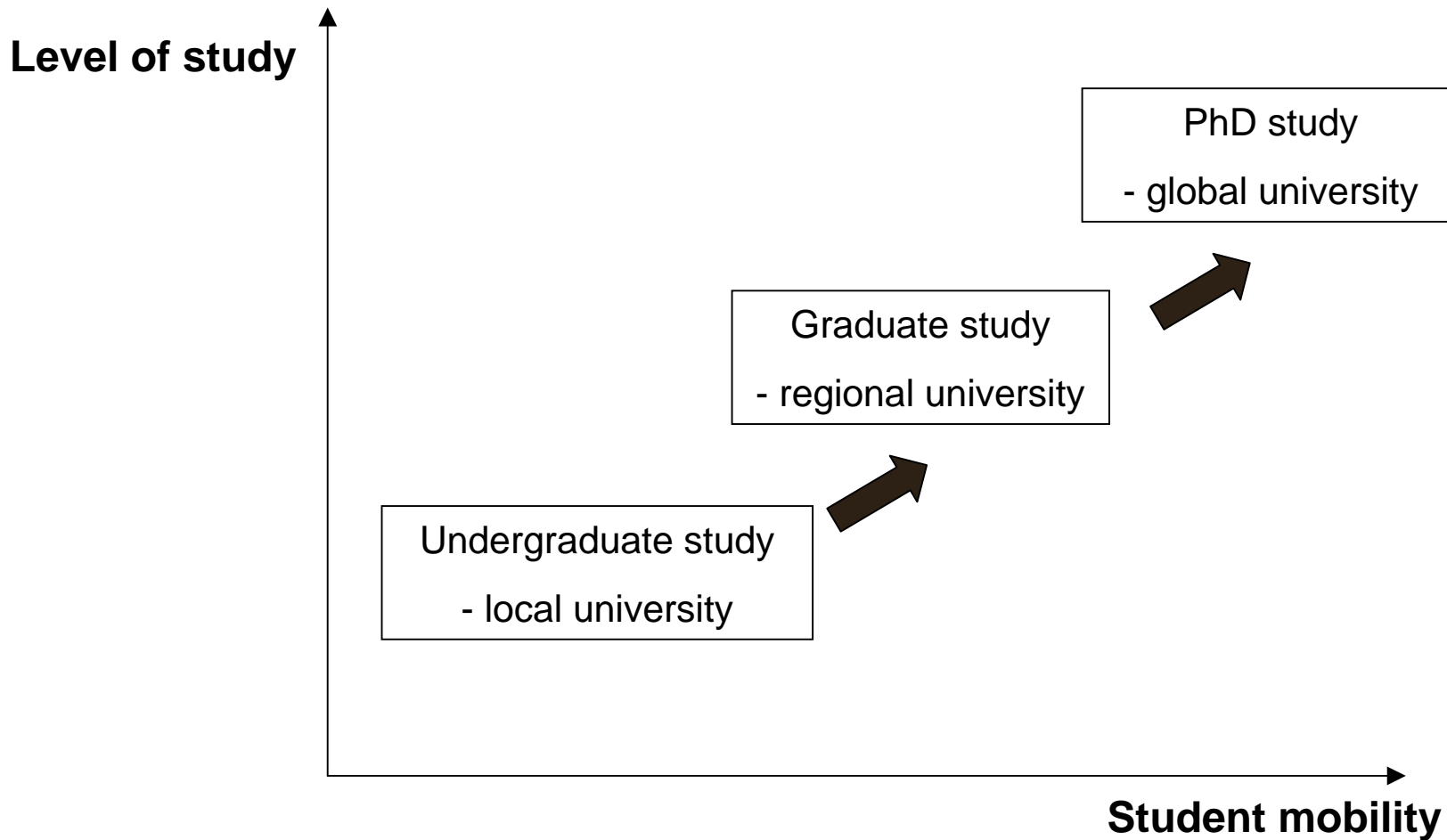
- Recessions are cyclical, but the current recession...
- ...will have lasting impact on universities in developed countries
- ...intensify competition for international students
- ...highlight/accelerate the changing world order
- ...increase the relative strength/attractiveness of Asian universities



# The US higher education system as a model for the future world order?



# The future world order



# Conclusions

- International higher education has grown rapidly due to “perfect storm” of factors
- Structural changes mean this pattern of development is changing
- The recession will cause short-term disturbances, as developed universities react to fiscal stress
- In the longer term , it may serve to accelerate structural change to a new world order