

From Global Beacon to Funding Fiasco? Navigating the UK Higher Education Dilemma of Borders and Budgets

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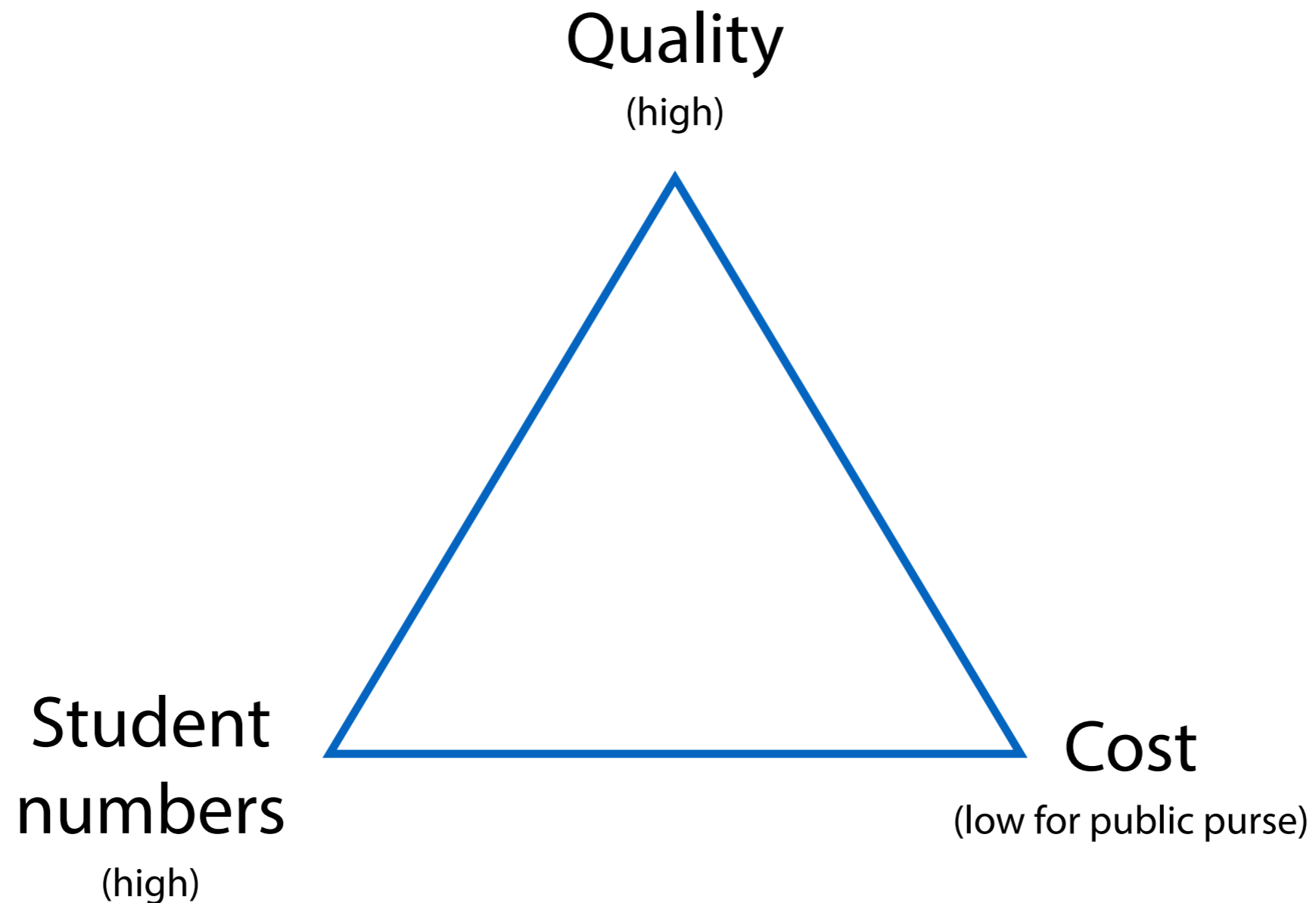
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Outline

- UK Higher Education: An important sector of the economy
- The crisis of the UK HE sector: Some evidence and indicators
- Causes of the crisis
- What ideas for solutions?
- UK / EU relations and the crisis



The trilemma of HE policy: Pick any two



UK Higher Education: An important sector of the economy

c.285 Higher Education providers
across the UK, contributing **£71bn**
to GDP in 2021/22

In 2021/22, **2.9m** students were
enrolled in the sector, growing at a CAGR
of c.4% since 2017/18

80% of research activity across
UK nations is either world-leading or
internationally excellent

Source(s): HESA, OfS, UUK, PwC Analysis, OECD

411k members of staff

870k qualifications / yr

Source: PricewaterhouseCoopers 2024 and <https://www.universitiesuk.ac.uk>



The crisis of the UK HE sector: Some evidence and indicators



- Approximately 40% of England and Northern Ireland HE providers are expecting to be in **deficit** in 2023/24 (PwC 2024)
- Redundancies and voluntary severance schemes cut **thousands of jobs across the sector**, with most large universities targeting between 100 and 400 job cuts each (QM UCU)
 - Savings targets, when specified, range from a few million to over £100 million per institution.
- Threats of insolvencies, cuts in courses, cuts in research

University redundancies (since 2023)



Causes of the crisis

Newcastle University faces £35m blackhole as international student numbers decline
Following changes to international student visas in January, Newcastle University now has to plug a £35m gap in its income.

- Shifts in the funding structure from state to students
 - “Fees made up 24% of income in 2005/06 and increased to more than 50% from 2019/20 onwards, while funding body grants fell from 39% in 2005/06 to 11% in 2023/24.” (Bolton 2025)
 - Cap on domestic fees since 2012 has reduced value by 37 per cent due to inflation
- Capping of domestic fee income + removal of course quotas lead to strong expansion of international student recruitment, whose fees cross-subsidized the home students
- Reduction in international student numbers by 15-20 per cent (due to increased competition and immigration restrictions from January 2024) contributes to funding crisis
 - Int’l student fee income was £11.8bn in 2023 (or 23% of sector income) (Bolton 2024)

What ideas for solutions?

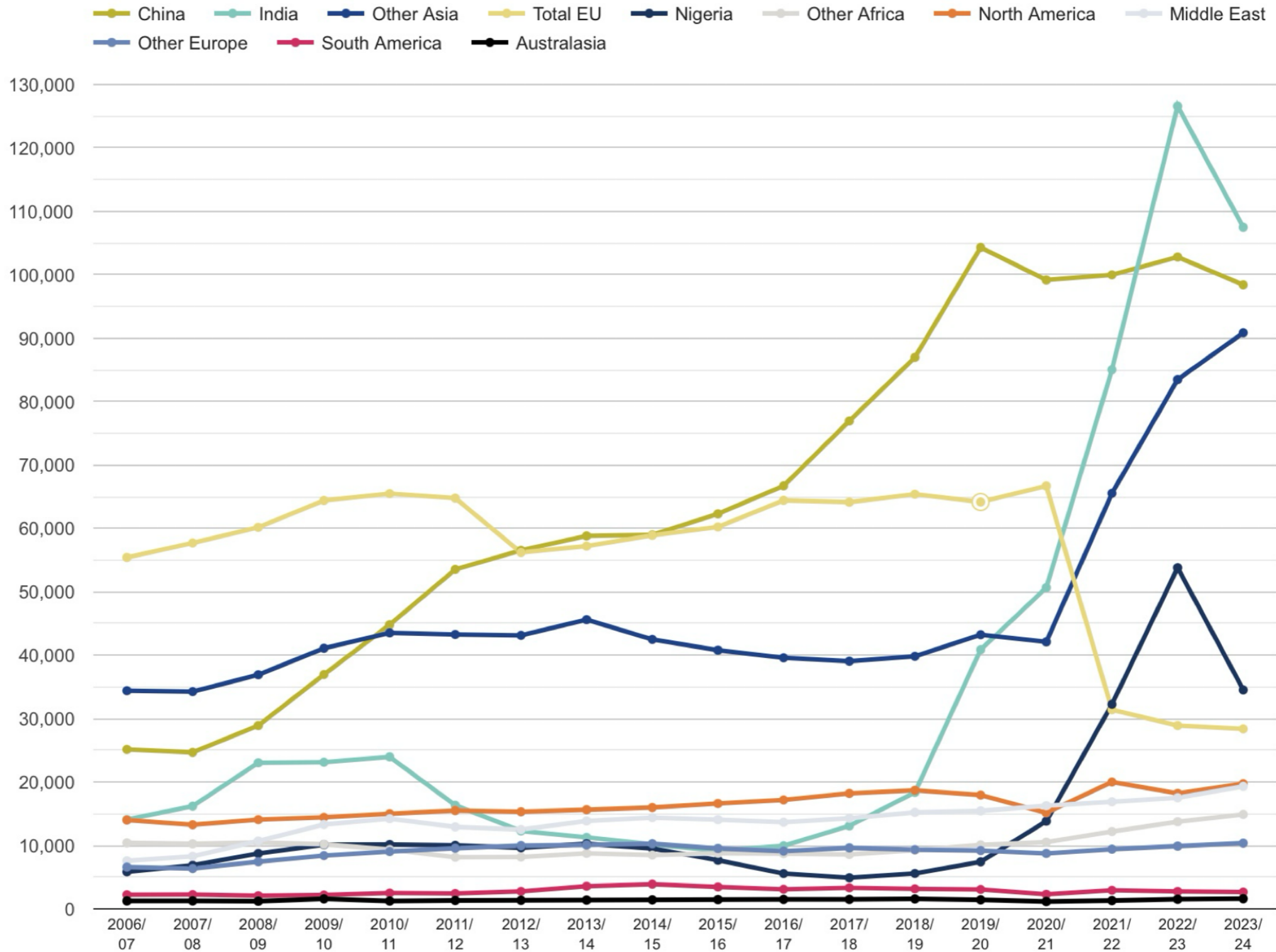
- Increase fees for home students
 - Unpopular (although real value has fallen by about 40 per cent in last decade through fee freeze)
- Massive fiscal re-engagement by the state
 - State share of university funding has shrunk from 80% to 25% since the 1980s. But government unlikely to (want to) find this much money
- Shrink sector, reduce course offerings, deregulate fees
 - 20+ university closures, reduced "migration", but less economic growth

EU students to the rescue?

- Brexit has led to a massive reduction of EU student enrollment (53 per cent between 2016 and 2023)
- Fees of international students have cross-subsidized home students and contribute nearly £12bn annually
- Student numbers from EU countries were much less volatile than from non-EU students (e.g. Nigeria: – 36% 2024 vs. 2023)
 - → try to increase EU student numbers again to regain stability!
- Compromise: Differentiate fees for EU students from international fees (e.g. EU country fees = 2 * home fees).
 - this would only partially improve the funding crisis, but would contribute to other policy goals (improve neighbourly relations)

Entrant students with a permanent address outside the UK by permanent address

Academic years 2006/07 to 2023/24



Source: <https://www.hesa.ac.uk/data-and-analysis/students/where-from#non-uk>



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Many thanks for your attention!

Questions?

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