Projecting Demand for UK Higher Education from the Accession Countries

Higher Education Policy Institute

Libby Aston

Projecting demand for UK HE from the Accession Countries

EXECUTIVE SUMMARY 3

A: BACKGROUND 11
The principle of mobility of students within the EU 11
Mobility of students across Europe 13
Existing demand for UK HE amongst EU and AC students 18
Existing HE numbers within the ACs 22

B: ANALYSING THE FACTORS THAT MIGHT IMPACT DEMAND FOR UK HE FROM THE ACCESSION COUNTRIES 26
Growth in student numbers in the ACs 26
Increased demand to study abroad in general from the ACs 38
Increased demand to study in the UK from the ACs 44

C: PROJECTIONS 54

D: IMPACT ON UK HE SUPPLY AND DEMAND 59

E: COSTS AND BENEFITS TO THE UK 62

Annex A 68
Projecting the nature of demand from ACs 68

Annex B 75
Students coming into the UK from the EU and Accession Countries by mode and level 75

Annex C 76
Erasmus student mobility 1997-98: total number of students 76
Erasmus students from the Accession Countries - mobility 2001-02: total number of students by country 77

Annex D 78
European Areas of Higher Education and Research 78

Bibliography 81

EXECUTIVE SUMMARY

Introduction and background

1. The Accession Countries[1] (ACs) join the EU from May 2004 and from September 2004 students from the ACs will be treated as all other EU and home students in the UK. EU students have equal access to UK HE places on a like for like basis with UK home applicants, pay the same up-front fees as home students, and are means-tested for payment of undergraduate fees against the same criteria as UK home students. Under Government proposals, from 2006, they would be eligible for the same variable undergraduate fees, and the same repayment conditions as UK students. The one difference is that EU students do not, at present, have access to student financial support that is available to home students (currently student loans and hardship / access bursaries).

2. The UK is by far the most popular country of study amongst EU students[2], making it the largest net importer of students within the EU. The pattern of demand demonstrated by mobile students from the ACs is, however, quite different: in those countries participation in higher education (HE) is lower than in the rest of the EU, and amongst the students that study abroad from the ACs, the US and Germany are the most popular destinations. With the ACs joining the EU, a number of conditions will change that affect demand for higher education in general and for overseas higher education in particular, together with the choice of country when studying abroad. This paper examines these changes and the likely implications for this country.

3. Students coming in from other EU countries make up approximately 5 per cent of students in UK HEIs. In 2001-02 there were approximately 80,000 students from other EU countries studying in the UK (excluding EU students on exchange programmes), nearly 50,000 of whom were undergraduates. In addition, there were approximately 17,600 incoming exchange students from other EU countries studying in the UK on Erasmus programmes, nearly all of whom were undergraduates.

4. There has been a slight decline in the overall number of non-exchange students coming in to the UK from the EU since 1999-2000. This decline is largely a result of a reduction in demand from Greece and the Republic of Ireland (the countries with the largest number of students coming in to the UK). This demonstrates the extent to which demand for UK HE from EU students is influence by circumstances within member states.

---

[1] Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic and Slovenia.

[2] In this case, and for the rest of the report, EU students or EU countries refers to all EU students or countries other than the UK. The current EU countries are Austria, Belgium, Denmark, Finland, France, Germany, Gibraltar, Greece, Irish Republic, Italy, Luxembourg, Netherlands, Portugal, Spain, and Sweden.

5. In 2001-02 there were just under 6,000 students from the ACs studying in the UK as internationals students. The number of students coming into the UK from the Accession Countries has been significantly increasing since 1998-99 – by over 20 per cent in just 3 years to 2001-02 (although from a relatively small base). Just over half of the students are undergraduates. However, this increase disguises a broad range of increases from 12 per cent (Cyprus) to 115 per cent (Slovenia – although from a very small base). Students from Cyprus made up 63 per cent of students coming into the UK from the ACs in 2001-02, but this high proportion has slightly reduced from 1998-99 when the same figure was 68 per cent.

Summary of factors affecting demand for UK HE from the ACs

6. The two factors affecting demand for UK HE from the ACs are the size of the HE student population within the ACs and, more importantly, the proportion of these students that decide to study in the UK.

Growth of student numbers within the ACs

7. If the proportion of students studying abroad, and the proportion choosing to study in the UK, do no more than remain constant, then any growth of the total number of HE students within the ACs will result in an increase in demand for UK HE. Demand for HE within a country depends largely on two factors – the size of the population (especially the young population) and the participation rate in HE.

8. There is a projected decline in the young population, averaging around 11 per cent across the ACs to 2010. However, this does not imply a decline in the HE student population, if participation rates were to increase. The rapid growth in HE student numbers that has occurred across all the ACs recently has taken place despite declining young populations in five of them.

9. There has been considerable growth in higher education participation in the ACs recently. Nevertheless, using a proxy for participation rate (the percentage of 18-23 year-olds in HE), it appears that many ACs still have relatively low participation rates. Even those ACs with the highest participation rates are still below the levels of some EU member states. The low proportion of the young population with tertiary qualifications also shows there is capacity for further growth of participation rates within the ACs.

10. The factors that could drive an increase in demand for HE are:

- School staying on rates and levels of attainment

  The staying-on rates in education to age 18, and attainment of upper secondary qualifications (level 3), are both extremely high in the ACs – higher than EU levels. If the propensity of level 3 qualifiers to enter HE converges towards EU levels, this will create a strong driver for increased demand for HE.

- Strong economic drivers of demand

  Continuing growth of demand for high level skills from the labour market will continue to drive demand for HE – especially if the projected economic growth takes place as a result of the ACs joining the EU. Furthermore, the greatly reduced chance of unemployment amongst graduates, in countries where levels of unemployment remain high, will continue to drive demand for HE.

- Student finance arrangements

  This paper assumes a steady state in terms of the impact of student finance arrangements on demand for HE. Nearly all the Central European ACs charge fees for full-time undergraduate places above a set quota of government-subsidised places, and financial support for students is limited. Recent growth has taken place with these systems in place, and there is little change anticipated in student finance arrangements in the near future.

11. These are strong drivers which will lead to increased demand for HE but growth in HE numbers will not take place unless the supply of places increases as well. The number of Government-subsidised places available is restricted and this is unlikely to change in the future. The fee-based growth of the system, including private sector HE in some ACs, has allowed the very rapid growth experienced in recent years. There is no reason to think this cannot continue into the future if demand is sufficient – and the main drivers of participation increases suggest it will. As a result, it is likely that the number of HE students within the ACs will continue to increase.

Growth in demand to study abroad

12. The proportion of students studying abroad is already similar to EU levels, with approximately 2 per cent of students from the ACs studying abroad, with two major outliers (Cyprus and Malta). Factors that might increase demand to study abroad even further in the future are an increase in the wealth of the highest earners, and any restriction in the supply of places within the ACs.

13. In most countries, only a very small proportion of students study abroad, and research shows that they come from the highest income backgrounds. If the current distribution of wealth in the ACs continues, then the wealth of the highest earners is likely to increase significantly if the projected increase in GDP takes places after joining the EU. This could increase demand to study abroad in the future.

14. We know that the restriction of supply of places within a country can greatly affect demand for HE abroad (Greece is a good example of this). Whilst state-subsidised places are restricted in all of the ACs, capacity for growth has been demonstrated within the fee-paying sector including private sector HE. If future unmet demand is largely met by private systems however, this might affect the relative affordability of studying abroad for an increasing number of students.

Growth in the proportion of students choosing to study in the UK

15. Whilst the proportion of HE students that study abroad from the ACs is similar to EU levels (around 2 per cent of HE students), the proportion that choose the UK from the ACs is much lower than average EU levels at present. However, joining the EU will change some of the major factors affecting the decision of which country to study in.

16. The UK was the most popular destination for study chosen by people within the ACs surveyed by MORI for the British Council – if their choice were unconstrained. This is largely a result of the perceived high quality of UK HE, and the perceived credibility of UK qualifications with employers. The major changes that will take place as a result of the ACs joining the EU will be in terms of affordability of HE and accessibility – two important factors in choosing which country to study in. Charging home and EU level fees will make the UK much more affordable than the US (in terms of international level fees charged to students from the ACs at present, this is not the case). It will also put the UK on a more level playing field with the rest of Europe (with Germany, for example, that charges no fees), and even some of the ACs in terms of fees. These changes are likely to make studying in the UK a possible option for many more individuals from the ACs.

17. Demand to study in the English language (although not to study the language itself) is still a major factor in demand for UK HE, and English is now the second language taught in schools across all of the ACs without exception. For these reasons demand for UK HE is likely to increase significantly once the ACs join the EU – at least to converge with EU average levels, and possibly higher in the long term future.

Projections of demand for UK HE from the ACs

.

18. For the reasons set out above, there are good reasons for thinking that demand for higher education will continue to increase in ACs, despite a declining population, and that demand for UK higher education will grow substantially. Three projections have been made, all of which assume that the rate of increase in participation in the ACs reduces to about half the very rapid recent rate, and that the proportion of total AC students that study abroad remains the same. In each of the projections the propensity of AC students to study in the UK is varied.

19. The resulting projections of increased numbers of students from the ACs in the UK range from 20,000 by 2010 in the low projection to 30,000 by 2010 in the high projection. Even these figures may be an underestimate. If, as a result of joining the EU, the proportion of students studying abroad increases greatly above current levels, or more of the ACs become outliers, as Cyprus and Malta already are, these total numbers could increase significantly. It is likely that a considerable part of the increase in numbers will take place immediately in September 2004 as a result of the conditions that will change when the ACs join the EU.

20. The biggest cost to EU students in the UK are living / maintenance costs, and EU students do not –as yet – have access to financial support arrangements available to home students. With England proposing to re-introduce grants of up to £3,000 a year for undergraduates, this could have a dramatic effect on demand for HE – if, and only if, EU students are given equal access to financial support. At present they do not, but if EU law changes on this matter, the demand for UK HE could increase greatly.

Impact on UK HE supply and demand[3]

21. Adding demand from 20,000 to 30,000 additional EU students to the 180,000-250,000 additional undergraduates projected in England alone to 2010 will put great pressure on the HE system in the UK.

22. Assuming projected demand is met through sufficient supply of places, any increase in EU students from the ACs will add to the projected increase in the pool of qualified entrants from which recruiting institutions[4] can recruit. Regardless of which HEI EU students attend, knock-on effects will mean that an increase in the total student population will increase the opportunity for recruiting HEIs to meet their student number targets – especially in shortage areas such as maths, science and engineering related subjects because of the disproportionately high number of applicants from the ACs for these subjects with strong qualifications. Taken along side the projected increase of home students to 2010, the UK HE system is likely to see far fewer unfilled places to 2010.

23. Selecting HEIs – those that select their students based on strict academic criteria - take a higher number of postgraduate EU students, but still a significant number of EU undergraduates. Any increase in EU students from the ACs is likely to increase competition for places at selecting HEIs. It is inevitable that selecting HEIs will take the most academically able students regardless of their background – including country of origin – and this is very important to ensure a system of fair access. UK students compete with EU students on a like for like basis for limited places at selecting HEIs. Any increase in the number of students from the ACs is likely to further increase the level of competition for these places.

24. Under current funding arrangements, whether we will see a shortage of HE places in the UK for the first time in decades will depend on the availability of Government funding for additional places. If supply does not increase sufficiently to meet demand, it is not just EU students that will lose out: the number of HE places available will not be sufficient to meet demand from home applicants either – this could actually reduce UK participation rates in HE.

---

3 The analysis regarding impact on supply and demand has been written in reference to the circumstances in England particularly but has implications for other countries in the UK.

4 Recruiting institutions are those that actively recruit students onto courses, and often have an excess of supply over demand. Selecting institutions are those that are able to select, and generally have an excess of demand. This typology while crude is nevertheless helpful in general.

Costs and benefits to the UK[5]

25. These calculations assume that the Government will be willing to meet the cost of the increased demand arising from AC students, and consider the costs and the benefits that will follow from this increased demand. If the increased demand is not met, of course, then the costs will be lower, but so will be the benefits.

26. Since students from Accession Countries will in future be equivalent in all respects to students from other EU countries, it is convenient to consider costs and benefits of EU students at present, and then to extrapolate these to draw conclusions for Accession Country students.

Costs

27. Based on current Government proposals, and the assumption that average institutional grant will not change after 2006, the total cost to the UK taxpayer will be about £4,800 for each undergraduate EU student (£3,750 institutional grant plus £1,070 in respect of the cost to the Government of the deferred fee). See paragraphs 187 and 188 for further details.

28. Similar calculations can be done for postgraduates students, though in the case of these there is not the complication of the cost to the Government of deferred fees. The value of the Government grant varies according to subject, but for EU postgraduate students, the total cost to the UK taxpayer is approximately £2,000 per student per year on average.

Benefits

29. The most obvious benefits[6] arise from the expenses that EU students incur in order to live while studying. From their living expenditure alone, each EU student will make a net transfer to the UK economy of something over £6,000 per year – exceeding the cost to the Government by 25 per cent for undergraduates and by 300 per cent for postgraduates.

30. We know from the First Destination Survey that approximately 25 per cent of EU undergraduates remain in the UK to work after graduation[7]. Based on a conservative estimate of EU students that work in the UK doing so for just 1.5 years in the UK on average, they will pay around £5,000 in income tax. Bearing in mind that one in four students pay this tax, and that the average length of undergraduate course is about 3.3 years, each EU student will therefore contribute an average of £400 income tax for every year for which they study. Because of their age, almost all of the tax paid by these graduates will represent net income to the Government, with very little offsetting expenditure.

5 Costs have been calculated based on fee levels in England. However, the method of calculating the costs and benefits of EU students could be applied to other UK systems

6 No account is taken here of the fees paid by EU students, as only the net cost to the Government of the fee regime has been shown.

7 of those EU students whose destination is known.

31. In total, therefore, it is estimated that on average EU students will provide at least £6,400 (£6,000 plus £400) of direct financial benefit to the UK, compared to the cost of £4,800 for undergraduates and £2,000 for postgraduates. Effectively, in financial terms alone the UK benefits to the tune of £210 million per year from the presence of existing EU students[8]. In terms of their contribution to GDP, the benefit the UK receives from EU students is very much greater than that, since the average £21,000 annual income of graduates who work implies a net addition to UK GDP of around £0.5 billion per year.

32. In addition, there are substantial other benefits which have not been quantified here, some of which are unquantifiable. In particular, the UK benefits from an addition to its stock of employed manpower of a significant number of highly skilled young people. Other benefits arise from the contribution of these EU students and researchers within UK HEIs, and from having a significant proportion of the young future elite of Europe living, studying and working in this country for an important and informative period in their lives.

33. This analysis has been carried out in terms of the costs and the benefits to the UK as a whole. It should be noted, however, that the costs arise wholly to the Government, but the benefits are in part private and in part common (via taxation). This may complicate investment decisions by the Treasury, but viewed as a nation they do not invalidate the conclusion.

Costs and benefits of Accession Country students

34. Exactly the same costs and benefits that have been shown above for EU students should apply to Accession Country students. It has been assumed throughout this report that Accession Country students will, perhaps after a period of adjustment, behave in all relevant respects like other EU students. On the basis of the projections described above, the net benefit likely to arise to the UK as a result of opening our higher education system to Accession Countries is likely to be between £55 million and £80 million per year, with a much higher contribution to GDP from those who stay here subsequently to work - leaving further unquantified, intangible and non-economic benefits to be reaped at no effective cost.

35. There is, though, one unavoidable, one off, cost that will arise: there are about 6,000 accession country students in the UK at present, who pay overseas student fees. From next September their liability will reduce substantially, when they become eligible to pay the home fee only. This will result in lower fee income totalling something like £50 million, and this will be borne by the HEIs currently hosting the students. This will be felt disproportionately at some HEIs but should come as no surprise. This change will have been anticipated for some time and this will have allowed these HEIs to adjust for these losses – for example by increasing their share of students from other international markets.

36. Finally, if in the future EU students are given the same access to student support facilities as home students then not only would this have a dramatic effect on demand for UK HE, but the cost of EU students to the UK taxpayer would rise significantly. As a result of the

8 Based on EU students currently studying in UK, excluding incoming exchange students. Undergraduate costs based on Government proposals for post 2006.

EU's commitment to progress student mobility across Europe, it is possible that this substantial additional cost will have to be considered at some point in the future.

Deferred Fees

37. The Government's ability to recover money owed from EU students is essential to the calculation in this paper. The Government's regime for the payment and collection of undergraduate fees will need to be the same in respect of home and EU students; including 100 per cent deferred payment of fees and a proposed earnings threshold for repayments of £15,000. In the medium term, it is likely that average earnings within the ACs will converge with average EU earnings, but at present average earnings in the Central European ACs are well below this figure. Regardless of average earnings within the ACs, setting up a system for collection of fees across Europe as a whole will be extremely challenging and will require a high level of co-operation with other EU Governments. It is essential that a robust system is in place by the time it is needed.

A: BACKGROUND

The principle of mobility of students within the EU

38. Since the mid-1980s the EU has rapidly expanded its 'legal competence' – its decision making powers – in the area of education policy. By the late 1990s the Union had embraced the idea of Europe as a 'learning society' and its education and training policies shifted to reflect this new concept. This shift in emphasis was based on what was considered to be an 'economic need' to increase levels of training and education in the EU in order to achieve acceleration in economic growth. At the European Council meeting in Lisbon, March 2000, EU Heads of State and Government undertook to develop Europe as a 'knowledge-based dynamic economic area'. It was agreed that this could be achieved through the development of one Europe's key assets - its knowledge, intelligence and creativity.

39. Despite the increased visibility of the Union's education and training policies, the responsibility for education and training still lies with the member states. Progress has therefore been through Treaties, which have set out common goals agreed between member states, which the Union then promotes on a transnational basis. Following the establishment of the Socrates and Erasmus programmes[9] in 1995, by far the most important step for HE was the signing of the Bologna Declaration in 1999 where the European Ministers for higher education agree the objective of establishing the European Higher Education Area by 2010 (see Annex D).

40. Central to the idea of developing Europe as a learning society, and vital to the success of the creation of Europe as a knowledge-based dynamic economic area, was mobility: the freedom of students, teachers, and researchers to move within the EU and benefit from broader experiences and shared learning (Prague, 2001). A new generation of Socrates and Erasmus programmes was set up between 2000 and 2006 with great success. However, such programmes are just the first step towards full European mobility.

41. Individual mobility more generally was underlined as a key priority by the European Heads of State and Government at their European Council meetings in Lisbon, in March 2000, in Nice, in December 2000, and in Stockholm, in March 2001. Increasing mobility has long been a central goal and a key legal competence of the EU in terms of developing the single market. Now that thinking within the EU has extended the reach of this policy goal to embrace mobility in education and training, the EU's legal competence in this area is likely to increase in the future. In Prague in 2001 (a venue chosen to represent a commitment to involving the whole of Europe including the Accession Countries), the education ministers 'confirmed their determination to remove all obstacles to mobility in Europe for students teachers, researchers and educational administrators' (European Commission, 2001).

---

9 The SOCRATES/ERASMUS programme is a student mobility scheme which covers all subjects, all higher education institutions, all members of the European Community and all the EEA countries (Iceland, Liechtenstein and Norway) plus for the first time some Central and Eastern European Countries (Poland, Romania, Hungary, Czech and Slovak Republics). The basis of SOCRATES/ERASMUS is agreement to co-operate between university institutions in different member states. The programme is based upon the concept of reciprocity, in that the numbers of students going from a university are balanced by the number of students going there to study.

42. The European Heads of State have agreed a ‘toolbox’ towards achieving student mobility. The idea is not to apply all measures to every country, but to enable countries to take steps towards increasing the rights and access of EU students. The guiding principle is that EU students will eventually enjoy exactly the same rights / access / support / facilities as home students – including access to student financial support.

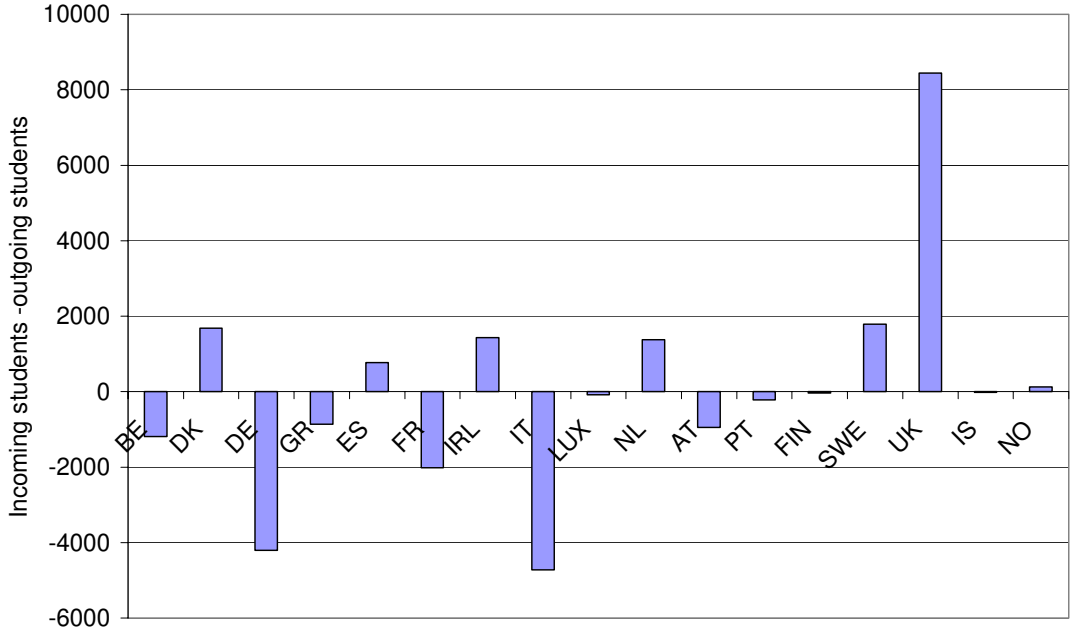
Mobility of students across Europe

Mobility of EU students across Europe at present

43. A study of student mobility in Europe in 93-94 (Socrates Programme, 1996) suggested that approximate one third of total student mobility was 'organised' mobility (Erasmus and Lingua II). The other two thirds of mobile students was defined as 'spontaneous' mobility, including international students as well as EU students. The report found the UK to be the largest net importer of mobile students (both spontaneous and organised mobility).

44. Erasmus is an organised programme by which HE students spend a period of time studying in another country. Erasmus is very well established and as Erasmus students make up around one third of all mobile students in Europe, they are an excellent source of information regarding mobility. In 1997-98, nearly one quarter of all Erasmus students were studying in the UK (see table in Annex C). The UK is the largest host nation for Erasmus students with over 20,000 studying in the UK in 1997-98 although this has reduced to 17,600 in 2001-02. Figure 1 below, also show that the UK has by far the largest imbalance of incoming and outgoing students with over 8,000 more EU Erasmus students studying in the UK than UK Erasmus students studying in Europe. In other words, the UK is by far the largest net importer of Erasmus students.

Figure 1 Balance of incoming / outgoing Erasmus students across EU 15, 2001-02



Source: Erasmus student mobility 2001, SCHE/03/07 – Annex. BE Belgium, DK Denmark, DE Germany, GR Greece, ES Spain, FR France, IRL Ireland, IT Italy, LUX Luxembourg, NL Netherlands, AT Austria, PT Portugal, FIN Finland, SWE Sweden, UK United Kingdom, IS Iceland, NOR Norway.

45. As a host nation, the UK also has the highest proportion of available places taken up (65 per cent), with Ireland second (61 per cent) (European Commission (2000)). This compares to an average of 48 per cent across the EU with take up in some countries below 25 per cent, although this is a complicated statistic and it is difficult to accurately define take-up of places. The popularity of the UK and Ireland is likely to be a reflection of the high demand to study in an English speaking country and the predominance of English as a second language taught in schools across Europe (see table 34). Other factors will also be involved such as the reputation of UK HEIs and good relationships that have developed between the UK and specific EU countries. The unique position of the UK however, is that it does not just have the highest proportion of places taken up as a host nation, but also has the second lowest take-up rates of available places across the rest of Europe by UK students. It is the contribution of these two factors that leads to the UK being a net importer of Erasmus students.

Mobility of AC students across Europe at present

46. Table 2 shows that in 2001-02 the number of Erasmus students from the Candidate Countries (in this case the 10 AC countries plus Bulgaria and Romania) had grown to over 13,000. This is still only approximately one tenth of the number of Erasmus students from the rest of Europe. However, the CCs only joined in 1998-99. Table 2 shows that the growth rate of students from the CCs has been around 200 per cent from 1998-99 to 2001-02 in comparison to a growth of just 9 per cent across the rest of Europe over the same period of time. Such a rapid take up of places would seem to reflect a high level of demand for studying across the EU from the ACs.

Table 2 Erasmus students from Europe and the Candidate Countries

	Euro 18	Candidate Countries	Accession Countries
1998-99	93,096	4,505	
1999-00	98,828	8,824	
2000-01	99,217	11,875	
2001-02	101,823	13,610	11,041
% growth 98-99 to 01-02	9%	202%	

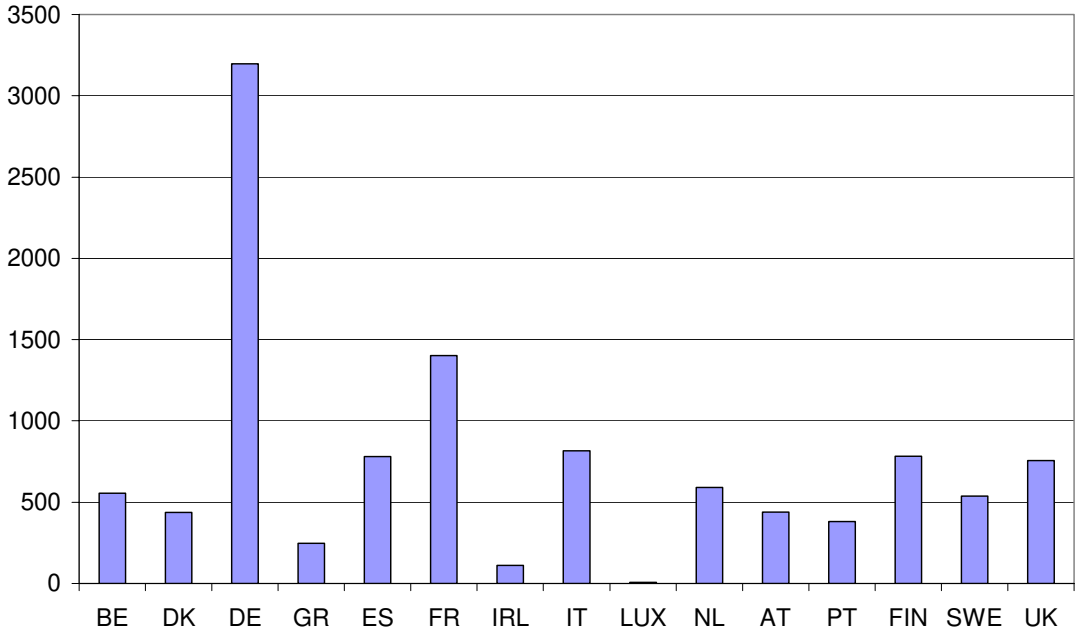
Note: Euro 18 includes EU 15 plus Iceland, Norway and Liechtenstein. Candidate Countries includes the 10 ACs plus Bulgaria and Romania (but does not include Turkey).

Source: Erasmus student mobility 2001, SCHE/03/07 – Annex

47. Figure 3 shows that Erasmus students from the ACs do not come to the UK in large numbers at present. The UK was the most popular destination amongst European Erasmus students and spontaneous mobile students across Europe (Socrates Programme (1996)). However, for Erasmus students from the ACs in 2001-02 the most popular destination by far was Germany, followed by France. The UK hosted approximately one third of the students that Germany did, at the same level as countries such as Spain, Italy, and Finland. Erasmus students are thought to be only approximately one third of mobile students, and the ACs are

still relatively new members of the Erasmus programme, but this is an interesting pattern of demand nonetheless.

Figure 3 Destination of Erasmus students from ACs by host country

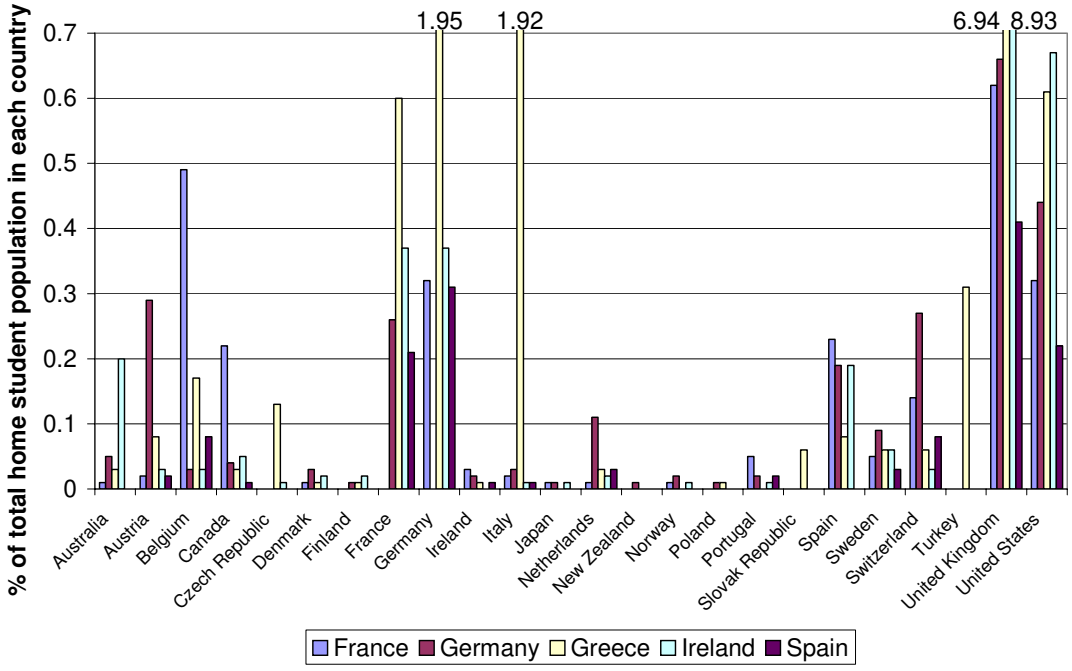


Note: See Annex C for details of Erasmus students for each of the ACs.

Source: Erasmus student mobility 2001, SCHE/03/07 – Annex. BE Belgium, DK Denmark, DE Germany, GR Greece, ES Spain, FR France, IRL Ireland, IT Italy, LUX Luxembourg, NL Netherlands, AT Austria, PT Portugal, FIN Finland, SWE Sweden, UK United Kingdom.

48. Figures 4 and 5 demonstrate that this pattern of demand is consistent for all mobile students – not just Erasmus students. Figure 4 looks at the mobility of EU students from 5 countries. It shows the destination of students studying abroad from France, Germany, Greece Ireland and Spain. As observed with Erasmus students, it shows that for all mobile students from these EU countries, the UK is by far the most popular destination of study – with the US, France and Germany coming some way behind the UK.

Figure 4 Destination of students studying abroad from 5 EU countries

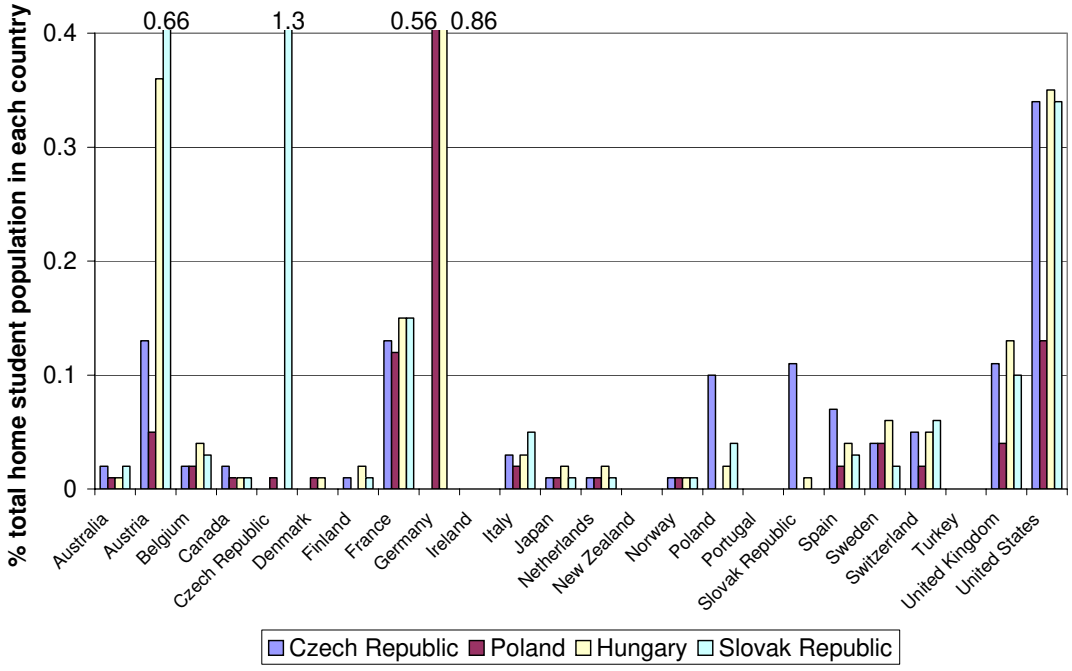


Source: OECD (2002)

49. Figure 5 illustrates that the pattern of demand demonstrated by mobile students from some of the ACs[10], in terms of destination countries, is quite different at present. By far the most popular destination for Polish and Hungarian students is Germany, and a large proportion of the students studying abroad from Hungary and the Slovak Republic study in Austria. Across the ACs shown, the US is the next most popular destination, followed by the UK and France. In terms of international fees charged, the UK is a more expensive destination for study than many of the HEIs in the US, and is certainly a great deal more expensive than studying in Germany where international students are not charged a fee. When the ACs join the EU in 2004, the UK will have a considerable competitive advantage in comparison with the US in terms of affordability, and will be on much more of a level playing field with Germany and other EU countries. This new competitive advantage is very likely to redirect more students to study in the UK. This will be considered further in the following sections.

10 Data available only for Czech Republic, Poland, Hungary, and the Slovak Republic).

Figure 5 Destination of students studying abroad from 4 AC countries



Source: OECD (2002)

50. The number of students entering UK HE from the ACs is growing rapidly (over 20 per cent in the three years to 2001-02), and the number of Erasmus students from the ACs has expanded rapidly since they entered the programmes. The mobility of students from the ACs is expanding. The UK is the most popular destination for study amongst EU students studying outside their own member state, but, at present, this is not the case amongst students from the ACs. The extent to which this is likely to change when the ACs join the EU will depend on the various factors that might impact demand for UK HE.

Existing demand for UK HE amongst EU and AC students

Existing demand for UK HE from EU students[11]

51. Students coming in from other EU countries make up approximately 5% of students in UK HEIs. Table 6 shows that in 2001-02 there were approximately 80,000 students from other EU countries studying in the UK (excluding EU students on exchange programmes), nearly 50,000 of whom were undergraduates.

Table 6 Number of students in the UK from EU countries (excluding incoming exchange students) by level of study, 2001-2002

	Number of students	Percentage of total
undergraduate	48,960	62%
postgraduate - taught	21,320	27%
postgraduate - research	9,040	11%
Total	**79,320**	**100%**

Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. EU countries listed in footnote 11. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students. Totals may vary due to rounding.

52. In 2001-02 there were approximately 17,600 incoming exchange students from other EU countries studying in the UK on Erasmus programmes, nearly all of whom were undergraduates. There will also be a small number of incoming exchange students on other programmes but Erasmus students make up the majority of incoming exchange students.

53. Table 7 shows that there has been a slight decline in the overall number of non-exchange students coming in to the UK from the EU since 1999-2000. However, this decline is the result of a decline in the number of students coming in to the UK from the EU 12 countries[12] - in particular from Greece and the Republic of Ireland. The number of students coming in to the UK from the countries that joined the EU in 1995[13] continued to increase up to 2000-01 and may now have flattened. The different rate of growth in demand from the more recent EU entrants, compared to the more established EU countries is relevant in considering demand from the ACs.

11 In this case, and for the rest of the report, EU students or EU countries refers to all EU students or countries other than the UK. The current EU countries – referred to as EU 15 – are Austria, Belgium, Denmark, Finland, France, Germany, Gibraltar, Greece, Irish Republic, Italy, Luxembourg, Netherlands, Portugal, Spain, and Sweden.

12 Belgium, Denmark, France, Germany, Gibraltar, Greece, Irish Republic, Italy, Luxembourg, Netherlands, Portugal, and Spain.

13 Austria, Finland, and Sweden.

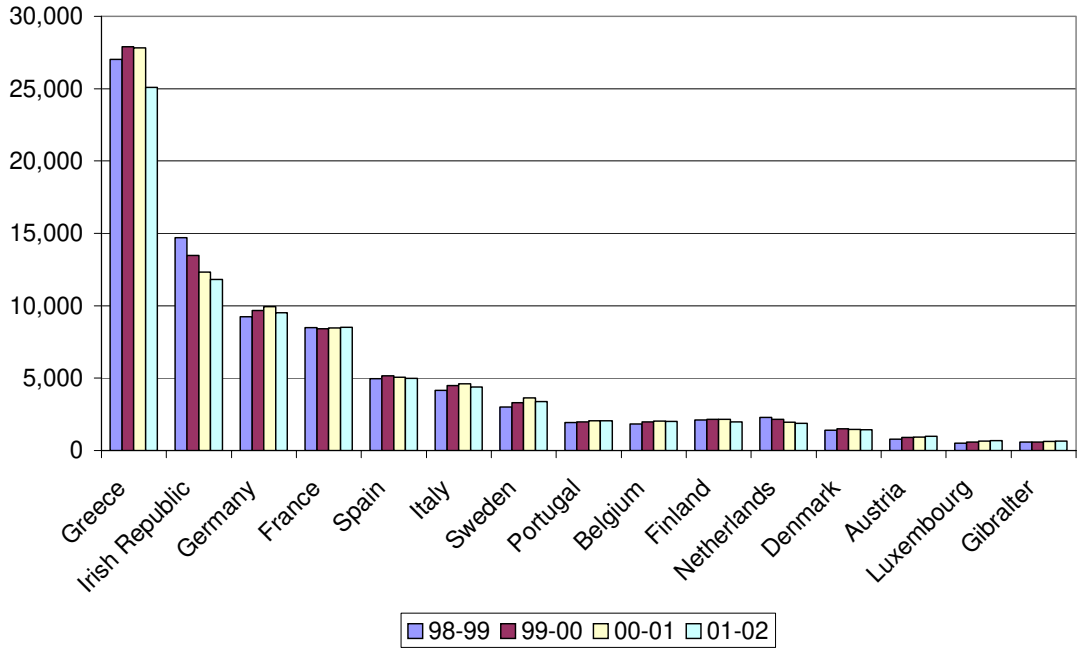
Table 7 Number of students in the UK from EU countries (excluding incoming exchange students), 98-99 to 01-02

	1998-99	1999-00	2000-01	2001-02
EU 15	**82,970**	**84,233**	**83,694**	**79,323**
(EU 12)	(77,110)	(77,870)	(76,990)	(72,980)
('95 EU)	(5,860)	(6,360)	(6,710)	(6,340)

Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. EU countries listed in footnote 11. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students. Numbers have been rounded.

54. Factors that affect HE supply and demand within a member state have a significant influence on demand for UK HE. Figure 8 shows that the reduction in demand for UK HE from non-exchange EU students is largely a result of a reduction in demand from Greece and the Republic of Ireland (the countries with the largest number of students coming in to the UK). Demand from other EU countries has been reasonably steady with a slight decline across most countries in 01-02.

Figure 8 Demand for UK HE from the EU 15 by country, 1998-99 to 2001-02



Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. EU countries listed in footnote 11. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students.

55. It is no coincidence that significant factors impacting on supply and demand of HE within Greece and the Irish Republic have changed during this period. In Greece, the strict

limit on undergraduate places was lifted in 1996[14], and in the Republic of Ireland, undergraduate fees were abolished in 1996-97.

Existing demand for UK HE from AC students

56. In 2001-02 there were just under 6,000 students from the ACs studying in the UK as internationals students. The number of students coming into the UK from the Accession Countries has been significantly increasing since 1998-99 – by over 20 per cent in just 3 years to 2001-02 (although from a relatively small base of 5,000 students). Table 9 shows that just over half of the students are undergraduates.

57. Table 9 shows that from 1998-99 to 2001-02 growth took place across all levels. However, postgraduate numbers grew more rapidly than undergraduate numbers – postgraduate taught numbers especially.

Table 9 Number of students in the UK from Accession Countries by level of study, 98-99 to 01-02

	98-99	99-00	00-01	01-02	% growth 98-99 to 01-02
Undergraduate	2,880	3,110	3,190	3,250	13%
Postgraduate taught	1,320	1,450	1,760	1,810	37%
Postgraduate research	600	640	720	740	23%
Total	**4,800**	**5,200**	**5,670**	**5,800**	**21%**

Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. AC countries listed in Table 10. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students. Totals may vary due to rounding.

58. Table 10 shows that the number of students coming into the UK from each of the Accession Countries has increased from 1998-99 to 2001-02 (with the exception of Hungary). The average increase has been 20 per cent over this period of 3 years, but this disguises a broad range of increases from 12 per cent (Cyprus) to 115 per cent (Slovenia). Students from Cyprus made up 62 per cent of students coming into the UK from the ACs in 2001-02, but this high proportion has slightly reduced from 1998-99 when the figure was 68 per cent.

14 The number of students studying in Greece has almost doubled since 1996, as a result of a policy which combined the increase of the number of new entrants in HE each year until 2001, and the establishment on new HEIs (Greece, National Report, Implementation of the Bologna Process, August 2003, Hellenic Republic, Ministry of National Education and Religious Affairs).

Table 10 Number of students from each of the Accession Countries studying in the UK 1998-99 to 2001-02

Accession Country	98-99	99-00	00-01	01-02	% increase 98-99 to 01-02
Cyprus	3,260	3,410	3,630	3,650	12%
Poland	420	470	490	580	36%
Malta	280	340	380	390	38%
Hungary	350	360	330	330	-4%
Czech Republic	160	190	320	250	52%
Slovenia	70	130	150	150	115%
Slovak Republic	70	100	120	130	76%
Latvia	70	80	100	120	82%
Lithuania	60	70	80	110	77%
Estonia	60	60	70	100	67%
Grand Total	**4,800**	**5,210**	**5,670**	**5,810**	**21%**

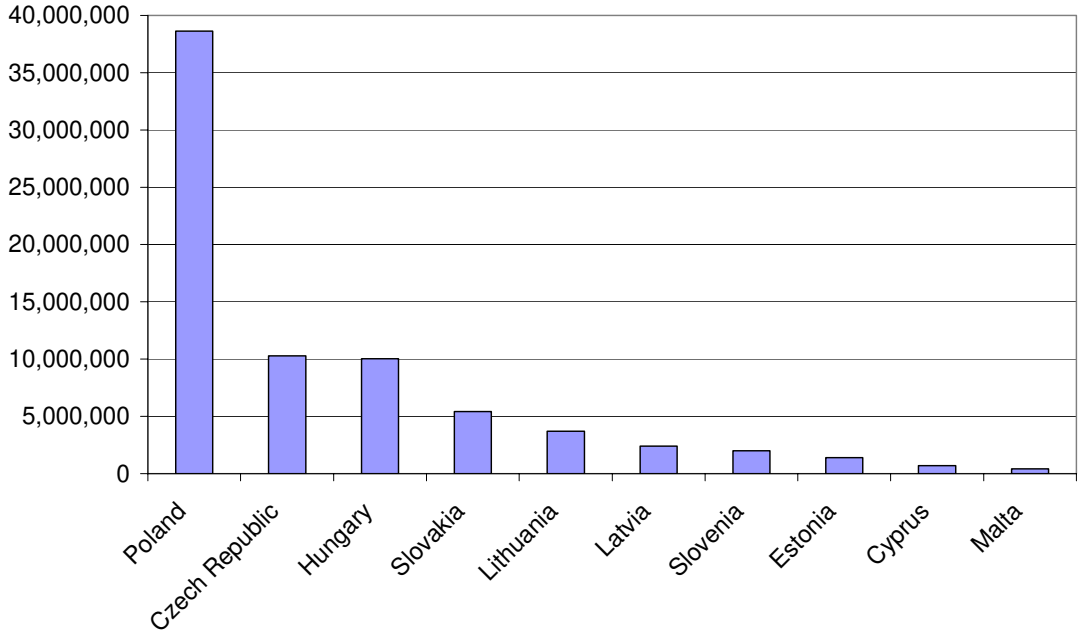
Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students. Totals may vary due to rounding.

Existing HE numbers within the ACs

59. In 2000-01 there were approximately 3 million HE students in the ACs. This compares to the 13 million HE students in the EU 15 in 2000-01. However, the number of HE students in the ACs has increased by over 20 per cent in just a 2 year period from 1998-99 to 200001. This is a very high rate of increase and compares to an increase in EU students of just 4 per cent over the same period.

60. Figure 11 shows that Poland has by far the largest population of the ACs of around 40 million (very similar to Spain). The Czech Republic and Hungary have the next largest populations of around 10 million. All the other ACs have populations under 5 million with Cyprus and Malta under 1 million.

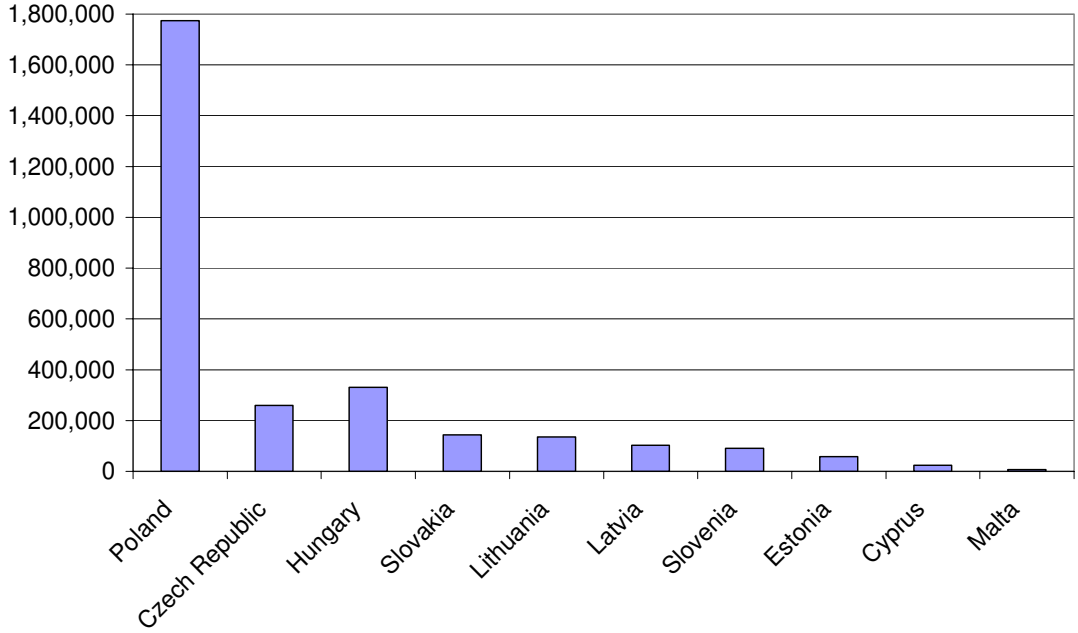
Figure 11 Total population in each of the Accession Countries



Source: Eurostat, FCO, The Economist.

61. Figure 12 shows the total number of HE students in each of the ACs. The countries are ordered by population size as in figure 11. The similarity of pattern between figures 11 and 14 demonstrate the very high level of correlation between population size and number of HE students. Poland has by far the largest student population – about 60 per cent of all AC students - as a result of its large population size.

Figure 12 Total number of HE students (ISCED 5-6) in each of the Accession Countries, 2000-01



Source: Eurostat, table cedu01cc

Participation rates in HE

62. We know that the number of HE students in the ACs has increased rapidly recently - by over 20 per cent in just a 2 year period from 1998-99 to 2000-01. Indeed, data from the OECD show that the biggest growth in the number of tertiary students from 1995-2000, across 21 OECD countries, took place amongst the three ACs they considered[15]. Poland, Hungary and the Czech Republic had the largest growth in tertiary students during this period - some from a demographic increase, but mostly from an increase in participation rate / rate of enrolment (OECD, 2002).

63. However, the percentage of the population with an HE qualification is still low across all of the ACs (Eurydice, 2002). OECD data in Table 13 show that for each of the ACs considered, the percentage of the population with an HE qualification was less than half the OECD average – even for the youngest age cohort considered (25-34 year-olds). Of course, the rapid increase in HE numbers and participation rates since 1995 are unlikely to be reflected to a great extent within the 25-34 year-old age group. But it remains the case that a low proportion of adults within the ACs have HE qualifications at present.

15 Poland, Hungary, and the Czech Republic were considered in a comparison of 21 OECD countries and were the three countries with the biggest increase in the number of tertiary students.

Table 13 Proportion of the population that has attained tertiary education (type A and type B) by age group, 2001

	25-64 year-olds	25-34 year-olds
Czech Republic	11	11
Hungary	14	15
Poland	12	15
Slovak Republic	11	12
OECD average	**23**	**28**
UK	26	30

Note: OECD average was calculated from the 30 OECD countries considered including these 4 AC countries.
Source: (OECD, 2002), Table A2.3

64. A key figure that needs to be considered is the present participation rate in HE, but this is a difficult statistic to calculate – and even harder to compare on a meaningful basis across different countries because of varying definitions. As a result, it has proved very difficult to obtain participation rate information.

65. Table 14 is an attempt to generate a statistic that can be used as a proxy for participation rate. It is the total number of HE students aged 18-23 years-old within each AC shown as a percentage of the 18-23 year-old population (chosen because the vast majority of students fall within this age group across all of the ACs (Eurydice, 2000, chapter F, Annex)).

66. Table 14 shows that, excluding Malta, the percentage of 18-23 year-olds in HE in the ACs is approximately between 20 and 30 per cent. Although it would be wrong to assume that the countries with a lower percentage of 18-23 year-olds – such as the Czech Republic, the Slovak Republic and Hungary – will necessarily experience an increase in participation rates in the near future, nevertheless, it is clear that within these countries there is capacity for further growth of participation rates and, as a result, clear potential for further expansion of HE numbers.

67. Those ACs with the higher percentage of 18-23 year-olds in HE at around 30 per cent – Estonia, Lithuania and Slovenia – still have the potential to increase their participation rates further of course. The higher participation rates in Spain, France, and Greece demonstrate this. It is also worth noting the position of Poland because it has by far the largest young population and therefore any increase in participation rates will have the largest effect on HE numbers. With just 25 per cent of 18-23 year-olds in HE there is clear potential for further increase in participation rates – not forgetting that Poland had the fastest growth of participation in HE from 1995-2000 amongst the 21 OECD countries considered (paragraph 62) – and if this occurs the numbers concerned will be relatively large.

Table 14 Number of HE students aged 18-23 as a percentage of the total population of 18-23 year-olds, 2000

	Number of HE students aged 18-23 ('000)	Total population of 18-23 year-olds ('000)	**Percentage of 18-23 year-olds in HE**
Malta	4.9	35	**14**
Czech Republic	184	988	**19**
Slovak Republic	105	565	**19**
Hungary	195	938	**21**
Cyprus	19	71	**25**
Latvia	50	197	**25**
Poland	983	3,946	**25**
Estonia	35	116	**30**
Lithuania	87	285	**30**
Slovenia	55	179	**30**
Spain	1,192	3,774	**32**
France	1,518	4,573	**33**
Greece	389	931	**41**

HE data source: (Eurydice, 2002) Chapter F, Annex. HE numbers for 1999-2000. HE numbers have been adjusted to include the 56% of Cypriot students studying abroad, and the 8 per cent of Maltese students studying abroad (see figure 24).

Population data source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2002 Revision and World Urbanization Prospects: The 2001 Revision. http://esa.un.org/unpp

68. In summary, participation rates have increased rapidly since 1995. However, amongst the overall population, there is still a low proportion of adults with HE qualifications – even within the younger cohorts. The percentage of 18-23 year-olds in HE at present is still quite low within some ACs, and even those that have the higher rates of participation amongst these age groups have room for further expansion in terms of catching up with EU participation rates. Whether the participation rates will increase within the ACs will depend upon the factors that influence demand for HE and whether the supply of places will be sufficient to allow further growth.

B: ANALYSING THE FACTORS THAT MIGHT IMPACT DEMAND FOR UK HE FROM THE ACCESSION COUNTRIES

69. Projecting future demand for UK HE from the ACs is very difficult for two main reasons: the data available are limited, and the inter-dependent relationships of the many factors that will impact future demand for HE in the UK are extremely complicated.

70. Demand for UK HE will be affected by any increase in the total number of HE students within the ACs, as well as any increase in the proportion of HE students from the ACs choosing to study in the UK. It is important to look at projected trends within the ACs in terms of demand for HE generally, but demand for UK HE in particular is likely to be far more closely linked to factors that influence the changing proportions of students from the ACs that choose to study in the UK.

Growth in student numbers in the ACs

71. Assuming the proportion of students studying abroad, and the proportion choosing to study in the UK, remain constant, growth of the total number of HE students within the ACs will result in an increase in demand for UK HE. Demand for HE within a country depends largely on two factors – the size of the population (especially the young population) and the factors that can increase demand for HE. Whether the number of HE students increases as a result of an increase in demand, depends on the supply of places within the ACs. Factors affecting demand for HE, and the supply of places will both be considered in this section.

Factors affecting demand for HE

Population projections

72. The section of the population most relevant to future demand for HE is the young population within any country. Within all of the ACs, the proportion of young people (under 30) is generally larger than in the EU 15 (between 38 and 45 per cent in comparison with an EU average of 36 per cent). However, table 15 shows that the population of 18-23 year-olds within the ACs is projected to decline to 2015 – across all of the ACs.

73. The percentage changes in the 18-23 population are much greater than for total population projections[16]. Table 15 shows the projected decline of 18-23 year-olds to 2010 is less dramatic – although Poland still has a decline of 15 per cent projected to 2010.

16 The ACs will experience a slightly declining total population to 2015 with the exception of the Slovak Republic, Cyprus and Malta where the populations are projected to increase because we are working with much smaller numbers.

Table 15 Projected population of 18-23 year-olds in the ACs to 2015 (in '000)

	1995	2000	2005	2010	2015	% change 2005- 2010	% change 2005- 2015
Poland	3,545	3,946	3,906	3,321	2,769	-15%	-29%
Czech Republic	1,044	988	805	768	663	-5%	-18%
Hungary	977	938	747	732	677	-2%	-9%
Slovak Republic	537	565	521	472	404	-9%	-22%
Lithuania	298	285	316	311	249	-2%	-21%
Latvia	203	197	218	205	141	-6%	-35%
Slovenia	176	179	162	141	118	-13%	-27%
Estonia	119	116	124	113	75	-9%	-40%
Cyprus	63	71	78	79	72	1%	-8%
Malta	33	35	35	33	30	-6%	-14%
Total	6,995	7,320	6,912	6,175	5,198	-11%	-25%

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2002 Revision and World Urbanization Prospects: The 2001 Revision. http://esa.un.org/unpp

74. This decline in the young population will not necessarily mean a decline in HE numbers if participation rates continue to increase as they have done recently within the ACs. This is demonstrated by recent history: some of the very rapid growth in HE numbers experienced recently across the ACs has happened, in some cases, despite a declining young population.

75. Table 16 shows the change in the population of 18-23 year-olds from 1995-2000 (from Table 15) and compares this to the rapid increases experienced in HE numbers in the ACs from 1997-98 to 2000-01. The time periods are slightly different, but this is unlikely to affect the general message.

76. Poland had the largest population increase that contributed to the growth in HE numbers (11 per cent). Nevertheless, the increase in HE numbers was still more than 4 times greater than the population increase (49 per cent). Therefore, the majority of the increase in HE numbers was a result of an increase in the participation rate in HE.

77. Hungary, the Czech Republic, Lithuania, Latvia and Estonia all experienced a rapid increase in HE numbers – of between 21 and 46 per cent – despite declining populations of 18-23 year-olds. The increase in HE numbers would have been even greater had there been an increasing young population at the time, but what is important to recognise is that this period of rapid expansion took place in these five countries despite a declining young population.

Table 16 The change in the population of 18-23 year-olds over 5 years from 1995-2000, compared to the growth in HE numbers over 3 years from 1997-98 to 2000-01

	% change in population of 18-23 year-olds 1995-2000	% growth in HE numbers 1997-98 to 2000-01
Poland	11%	49%
Hungary	-5%	30%
Czech Republic	-4%	21%
Slovak Republic	5%	28%
Lithuania	-4%	41%
Latvia	-3%	46%
Slovenia	2%	34%
Estonia	-3%	34%

Notes: Data for HE numbers in 1997-98 were not available for Cyprus and Malta

Source: Taken from tables 15 and data behind figure 12.

78. This comparison demonstrates the point being made about projections of HE numbers in the ACs: that despite a declining young population projected to 2015, HE numbers will continue to increase in the ACs if participation rates continue to increase along recent trends.

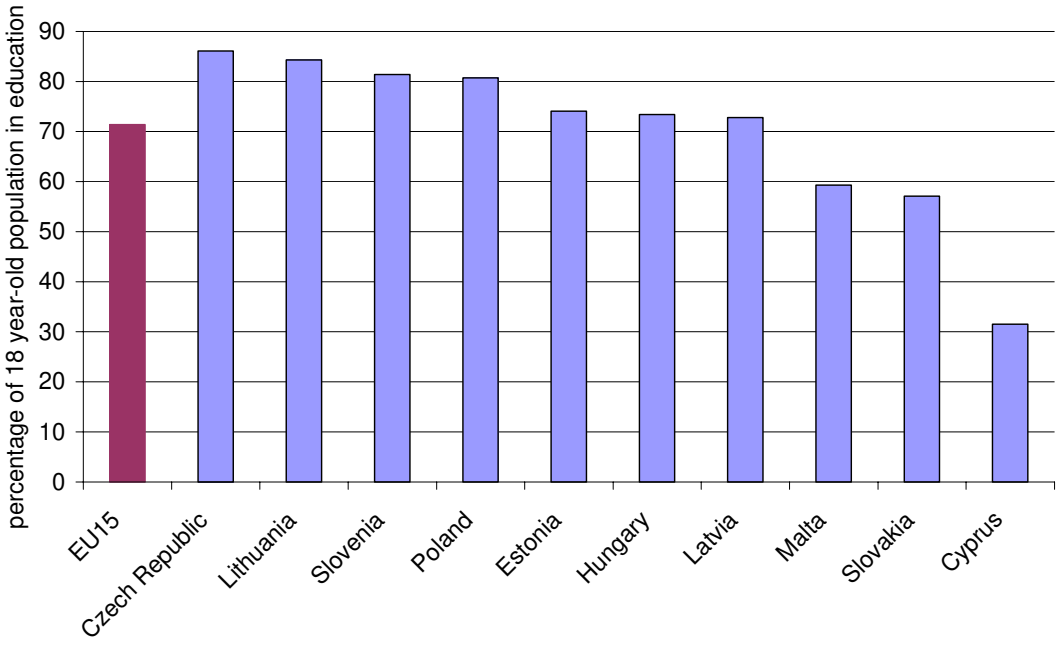
Staying on rates in education and attainment levels

79. Improvements in staying on rates and attainment levels largely drove the rapid expansion of HE that took place in the UK in the late 1980s and early 1990s. The increase in attainment and staying-on rates at 16 as a result of GCSE reforms mapped directly onto subsequent increases in the participation rate in HE. The doubling of the API correlates exactly with the doubling of the proportion of 18 year-olds gaining 2 or more A-levels.

80. Education reforms in the UK had a significant impact on educational attainment and staying-on rates in the UK, which had a knock-on effect on participation rates. However, the ACs already have very high school staying-on rates and educational attainment levels – above that of most of the EU.

81. Figure 17 shows that the majority of Accession Countries have a high proportion of 18 year-olds in education. Indeed, each of the central European countries, with the exception of the Slovak Republic, has rates above that of the EU 15 average. The proportion of 18 year-olds in education has considerably increased amongst the ACs in the last five years. In 1997, not one of the ACs met the EU 15 average level, but by 2001 the proportion of 18 year-olds in education had increased by up to 85 per cent (Hungary). This increase in staying-on rates in education across the ACs is likely to have been a strong driver of the increase in demand for HE experienced recently.

Figure 17 Proportion of 18 year-olds in education (all levels of education)

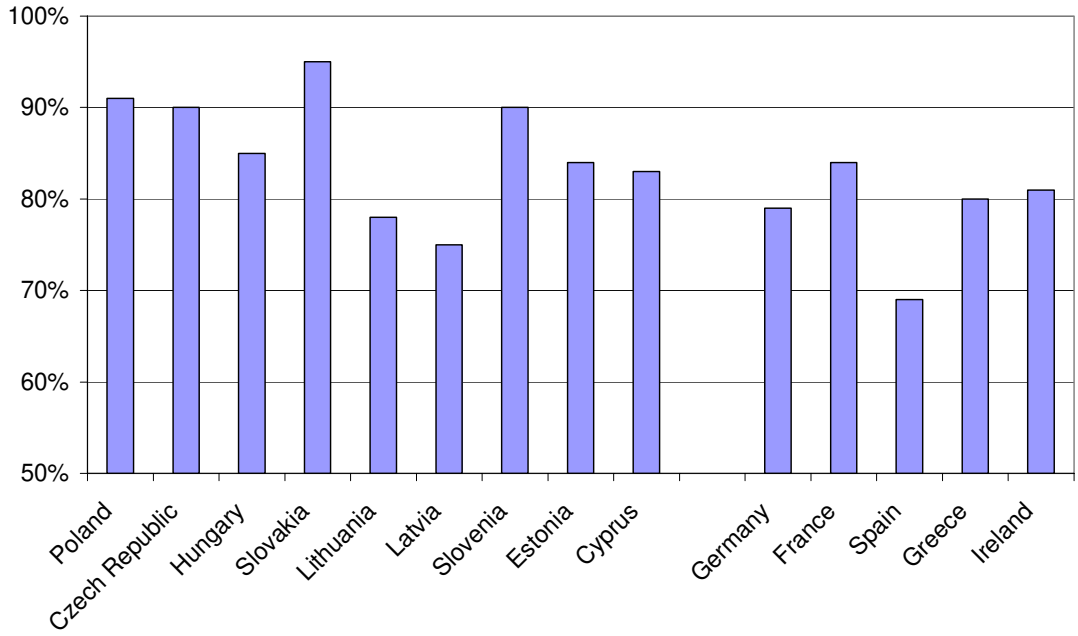


Note: Cyprus figures will be affected by very high proportion of HE students studying abroad that are 18 and will not be included in these figures.

Source: Eurostat data. Table 'cedu04cc' 'participation rates in education of persons aged 18 – candidate countries.

82. Figure 18 shows the proportion of 22 year-olds with at least an upper secondary qualification – therefore the proportion of 22 year-olds qualified to enter HE. Figure 18 shows that the proportion of 22 year-olds qualified to enter HE is generally higher within the ACs than amongst the control EU countries shown (between 80-90 per cent and between 70-80 per cent respectively). The Slovak Republic, Poland, and Slovenia have over 90 per cent of 22 year-olds qualified to this level – this is a remarkably high level and is credit to their education systems.

Figure 18 Proportion of 22 year-olds with at least an upper secondary qualification



Notes: Data for Malta and the UK not available

Source: Eurydice (2000)

83. There is known to be a high correlation between staying-on rates, attainment in schools, and participation in HE in the UK (HEPI (2003a) and HEFCE (2001)). These high levels of staying on at 18 in the ACs (figure 17) and high levels of attainment (figure 18) – especially across the central European ACs – suggest there is a large pool of qualified potential entrants in these countries. If the propensity of level 3 qualifiers to enter HE converges towards EU levels, then this will create a very strong driver of demand for HE. Taken alongside the information we have regarding approximate participation rates within the ACs still being relatively low at present, they suggest that there is considerable capacity for demand for HE to increase further.

Economic drivers of demand

84. It is likely that economic drivers also played a part in the doubling of the participation rate in HE in the UK in the late 1980s / early 1990s (HEFCE, 2001). The most significant economic driver in the UK was the rapid change in the occupational structure of employment in the 1980s: 'the demand for highly skilled labour and level 4 (HE) qualifications increased beyond the exiting supply. The higher wages attached to jobs requiring level 4 qualifications in the late 1980s contributed significantly to the increased demand for HE in the early 1990s (HEFCE, 2001).

85. The increased need for high level skills in modern economies (see HEPI paper for discussion of this subject within the UK (HEPI (2003b)) is an economic driver that exists amongst the ACs which also exists amongst the EU countries. If joining the EU brings increased economic prosperity to the ACs as a result of economic growth, it is likely that their

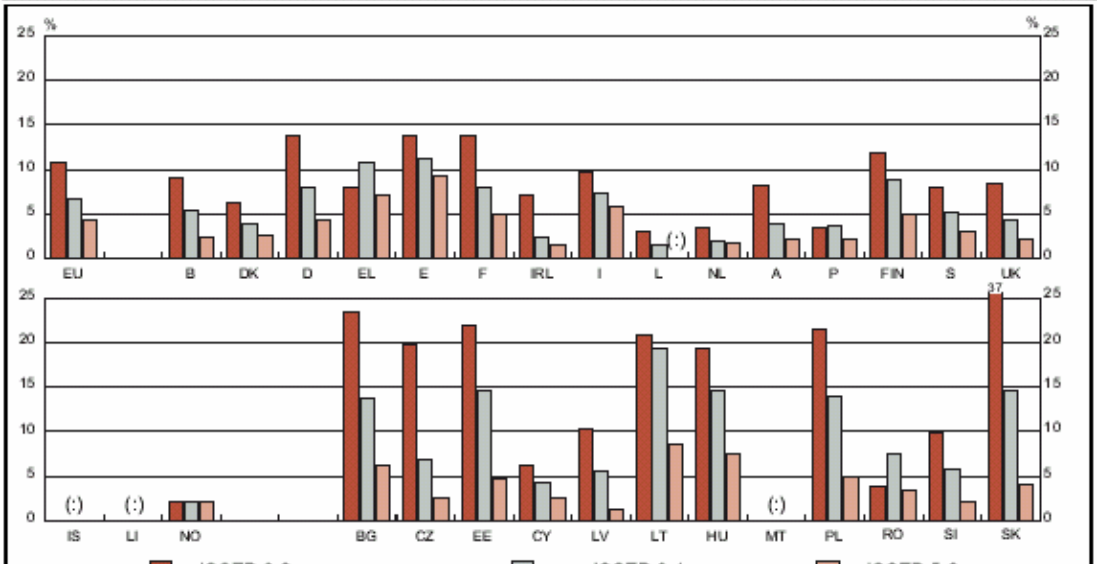
economies will also experience a further increase in demand from the labour market for highly skilled labour. The extent to which the supply of graduates is sufficient to meet this demand will determine the extent to which this impacts demand for HE, but there is significant potential for increased demand here.

86. To take Poland as an example, the European Commission's 2002 report on Poland's progress towards accession (European Commission, 2002), praised the overall quality of Poland's education system in helping it to develop its level of human capital 'in order to compete in the single market and the global economy'. However, it concluded that 'the capacity of the education system to deliver to the workforce the skills to match labour market demands is insufficient.' One of the main shortcomings of the system is 'a still relatively low share of the population with higher education (around 7 per cent)'. This suggests demand for high levels skills from the labour market will be a strong driver of demand for HE.

87. There are other economic factors that impact demand for HE. Figure 19 shows the extent to which levels of education relate to unemployment rates within the ACs – a much stronger relationship than is observed across the EU countries. In Estonia and Poland for example, there is just 5 per cent unemployment amongst those with an HE level qualification (ISCED 5-6) compared to a 21-22 per cent rate of unemployment amongst those who's highest qualification is an ISCED 1-2 level qualification. In the Slovak Republic the relationship is even more extreme with respective unemployment rates of 4 per cent compared to 37 per cent.

Figure 19 Unemployment rates in the 25-64 age band, by level of education, 2000

FIGURE A13: UNEMPLOYMENT RATES IN THE 25-64 AGE BAND, BY LEVEL OF EDUCATION, 2000



	EU	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
ISCED 0-2	10.7	9.1	6.3	13.8	7.9	13.8	13.8	7.1	9.8	3.1	3.4	8.2	3.6	11.9	8.0	8.5
ISCED 3-4	6.8	5.5	3.9	8.0	10.9	11.3	8.0	2.5	7.4	1.6	1.9	4.0	3.8	8.8	5.2	4.4
ISCED 5-6	4.4	2.4	2.6	4.3	7.1	9.2	5.1	1.6	5.9	(:)	1.7	2.3	2.3	4.9	3.0	2.2

	IS	LI	NO	BG	CZ	EE	CY	LV	LT	HU	MT	PL	RO	SI	SK
ISCED 0-2	(:)	(:)	2.1	23.3	19.7	21.8	6.3	10.2	20.9	19.3	(:)	21.4	3.9	9.8	37.1
ISCED 3-4	(:)	(:)	2.2	13.8	6.8	14.5	4.2	5.6	19.3	14.5	(:)	14.0	7.5	5.7	14.7
ISCED 5-6	(:)	(:)	2.2	6.3	2.6	4.7	2.6	1.2	8.5	7.5	(:)	4.9	3.4	2.1	4.1

Source: Eurostat, Labour force survey.

Additional notes

Luxembourg: Some data is not shown because of the small size of the samples.
Iceland: Data is not shown because of the small size of the sample.

Source: (Eurydice, 2000) http://www.eurydice.org/Documents/cc/2002/en/CC2002_EN_home_page.pdf

88. Because unemployment rates remain high in the ACs, the reduced likelihood of unemployment will be a strong driver for individuals to enter HE across the ACs. Although this driver of demand for HE is not given a great deal of attention in the UK for example, it is likely to have a significant impact in driving continuing demand for HE in the ACs

89. Continuing labour market demand for high skills along with a greatly reduced chance of unemployment amongst graduates will act as key drivers to continue growth in demand for HE within the ACs.

Student finance arrangements

90. Student finance arrangments - fees, financial support, maintenance costs and debt - can affect demand for HE. Maintenance costs and debt are important issues, but it has proved difficult to obtain useful information on these subjects: therefore this section concentrates on fees and the financial support available to home students.

91. Table 20 shows that there is no universal tuiton fee for full-time undergraduates in any of the ACs at present – although the Slovak Republic is considering introducing such a system from September 2004. However, with the exception of Poland and the Slovak Republic, each one of the central European ACs charges tuition fees for all full-time undergraduate students over a given Government quota of subsidised places. A student that does not get a state subsidised place pays a fee for their HE. In Lithuania for example, 45 per cent of entrants currently pay a fee. This is higher than the proportion of undergraduate students paying the full £1,125 contriubtion to tuition fee costs in the UK.

Table 20 Fee arrangements in each of the ACs

Country	Tuition Fee	Tuition fee if over gov't quota of subsidised places	Registration Fee	Entrance exam fee	Contribution to student org/ student services/medical care costs	Fee for evening classes only	Comment
Poland						X	
Czech Republic		X*		X			Free in state HEIs. Fees charged by 24 private HEIs
Hungary	*	X					Tuition fees introduced '96 and abolished '98
Slovak Republic	*				X		Proposals to introduce tuition fees in Sept 04
Lithuania		X *			X		32% pay fee. 45% of entrants.
Latvia		X					
Slovenia		X *					Free in state HEIs. Fees for private HE and all part-time and postgrads
Estonia		X					
Cyprus			X *			X	some HEIs

Malta	X*	Part-time students pay fees

Source: European Society for Engineering Education (SEFI), www.ntb.ch/sefi/ for table see http://www.ntb.ch/SEFI/milestones/TABLE%206.rtf

92. Not only do a significant proportion of students make some sort of financial contribution to their HE but, for those countries for whom data were available, the level of fees were comparable to the UK undergraduate tuition fee – if not higher. In Hungary, for those students that pay tuition fees they are between £280 and £1,680 a semester. In Lithuania, for the students that pay tuition fees the charges are between £260 and £4,200 a year. In Cyprus the registration fees that exist at some HEIs are between £1,250 and £4,375. The private institutions within the ACs will be charging market rates as well.

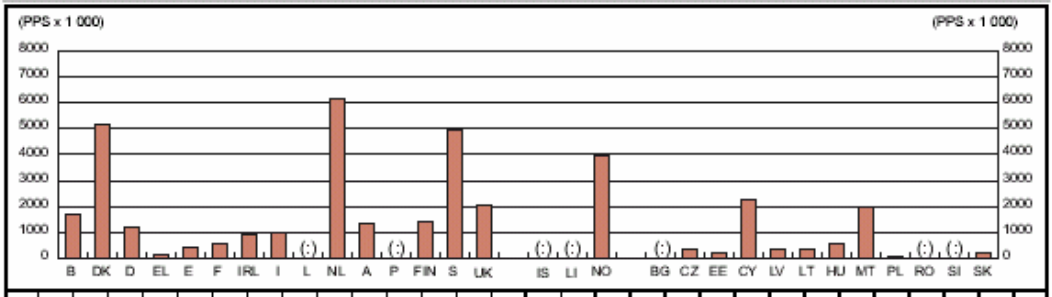
93. In terms of the impact on projected demand for HE what matters are proposed changes to the fee systems. The Slovak Republic is proposing to introduce tuition fees in September 2004, but apart from this, fee arrangements seems quite stable.

94. International evidence suggests that any increase in fees are unlikely to affect demand to any great extent. Experience in the Australia, Canada, New Zealand (DfES, 2004), and the UK (HEFCE unpublished, 2002), as well as recent studies in the United States (Long, 2003), suggest that changes to fee arrangements have had little impact on participation rates in HE. Many countries have experienced increases in participation rates despite increases in tuition fees. It is a reasonable assumption that fees within the ACs are unlikely to have a significant impact on demand for HE to 2010. This paper therefore assumes a steady state in terms of the effect of fees when considering future scenarios in demand for HE.

95. The other major factor to consider is the level of financial support available to home students within the ACs. Figure 21 compares the financial student support available for students within the ACs in comparison to other EU countries. Amongst the ACs, Cyprus and Malta have by far the highest levels of financial support for their students, above the EU average (EU average is PPS 2,100). The Eurydice report (Eurydice, 2002) suggests that in Cyprus this is likely to be connected to the limited number of HE places available. Apart from Cyprus and Malta, only Hungary exceeds PPS 500 per students – still less than a quarter of the EU average.

Figure 21 Financial support available to students across the EU and ACs

FIGURE I16: PUBLIC FINANCIAL SUPPORT (GRANTS AND/OR LOANS) PER STUDENT IN TERTIARY EDUCATION (ISCED 5 AND 6), PUBLIC AND PRIVATE INSTITUTIONS, IN PPS (THOUSANDS), 1999



B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	IS	LI	NO	BG	CZ	EE	CY	LV	LT	HU	MT	PL	RO	SI	SK
1.69	5.14	1.19	0.14	0.40	0.53	0.89	0.97	(:)	6.12	1.33	(:)	1.43	4.93	2.04	(:)	(:)	3.99	(:)	0.37	0.20	2.25	0.34	0.38	0.57	1.99	0.08	(:)	(:)	0.21

Source: Eurostat, UOE.

Additional notes

Denmark: No private institutions at tertiary level.
Greece, **Austria**, **Finland**, **Sweden**, **United Kingdom**, **Czech Republic**, **Hungary**, **Malta** and **Slovakia**: Enrolment only in public and government-dependent private institutions has been taken into account.
France: Does not include DOM.
Austria, **Norway** and **Hungary**: Enrolment data only for 1998/99.
Cyprus: National figures; includes tertiary students abroad.
Slovakia: No governement-dependent private institutions for ISCED 5-6 existed in 1999.

Explanatory note

Figure I16 shows the amount of financial support that is provided from public sources per student in both public and private tertiary level educational institutions. Public financial support to students includes child allowances contingent on student status, scholarships and other grants to students/households and student loans. Student may also be provided loans by private banks, which are not included in public financial support.
Generally, a weighted average over two school years is taken to correspond the financial reference year (1999). Full-time equivalent in all public and private institutions at ISCED 5-6.

The data on which the Figure is based results from the division of the total amount provided by public authorities to students (or their households) in tertiary education by the number of full-time equivalent students registered in tertiary education in public and private institutions. The expenditure figures have been converted into Purchasing Power Standards (PPS) in order to eliminate differences in price levels between the different countries. The PPS is Euro based. Data are not available on the proportion of students who receive such support or on the average amount each student receives.

Source: (Eurydice, 2000) http://www.eurydice.org/Documents/cc/2002/en/CC2002_EN_home_page.pdf

96. Amongst the Central European ACs, financial support is very low. However, in terms of impacting projections of demand, it is only changes to the systems that matter. Recent growth has taken place with these current systems in place – despite the low levels of financial support for students. There are no known proposals to change any financial support arrangements for home students to take account of at the time this paper was written. Taken alongside the limited changes proposed to the fee arrangements within the ACs, and the evidence that fee levels have a limited impact on demand for HE, it is reasonable to assume a steady state in terms of the effect on student finance arrangements will have on demand.

Supply of places

97. So far in this section, we have looked at factors that affect demand for HE in the ACs. The majority of factors point towards continued growth in demand for HE despite a declining young population. The purpose of looking at demand for HE within the ACs is that if the number of HE students in the ACs continues to grow, and the proportions of those students that study abroad and choose to study in the UK remain constant, then demand for UK HE from the ACs will increase. However, for the actual number of HE students in the ACs to

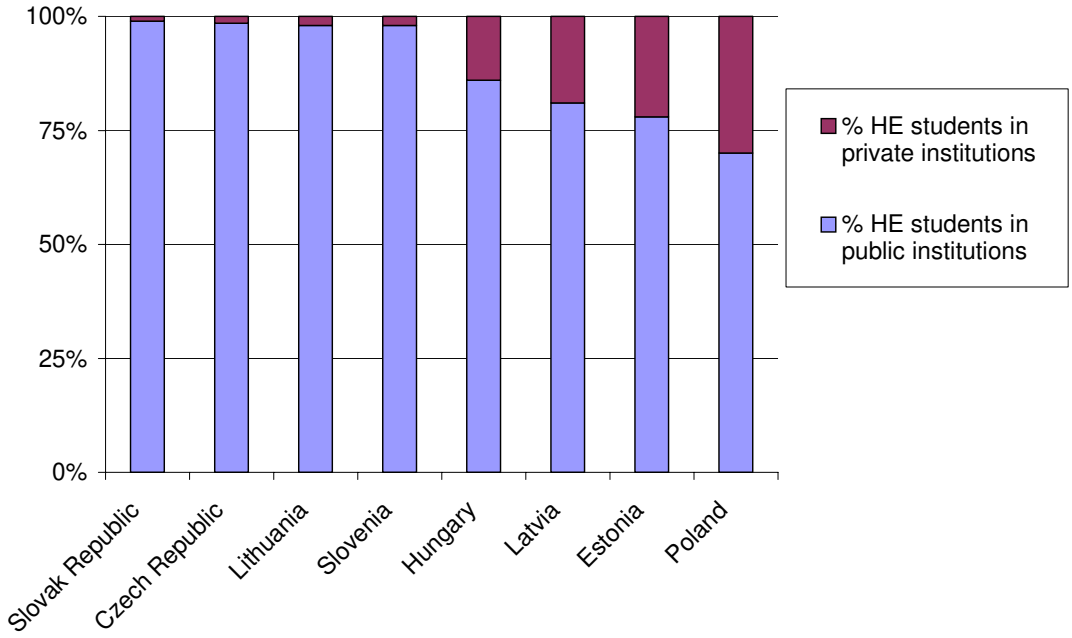
grow, the supply of places needs to match student demand. Of course if supply of places is restricted, this might actually increase the proportion of students choosing to study abroad, and this possibility is considered in the following section.

98. Changes to the funding arrangements in the UK, which led to a significant increase in the supply of places, played a part in the rapid growth that took place in the UK during the late 1980s and early 1990s. Unmet demand has to exist for supply changes to have a significant impact on overall HE numbers. In the ACs, the high levels of attainment and staying-on rates suggest that the supply of places could possibly have an effect on the growth of the HE systems in the ACs.

99. The ACs have shown significant capacity for growth in recent years, despite the fact that the supply of Government subsidised places has been restricted. Especially in the central European ACs, there are a limited number of state-subsidised places available. This is unlikely to change in the near future. All other students have to pay for their HE – either through tuition fees within the state system or in private institutions.

100. The ratio of students studying in private / public institutions is shown in figure 22. Many students studying in the public institutions will still be paying tuition fees of course (as in the UK). At present, the vast majority are studying in public institutions. However, there is a significant proportion of students studying in private institutions in Poland, Estonia, Latvia and Hungary. The number of students studying in private institutions is increasing in the ACs.

Figure 22 The proportion of HE students studying in public / private institutions in the ACs

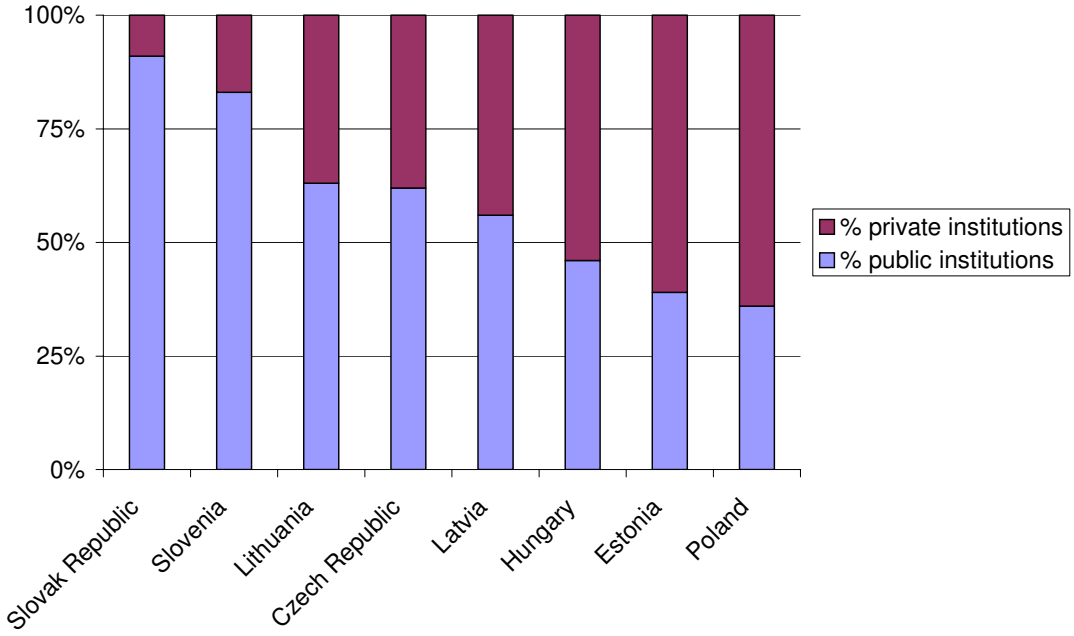


Notes: data for Cyprus and Malta were not available

Source: UNESCO-CEPES, Statistical information on HE in Central and Eastern Europe. www.cepes.ro

101. The number of HE students they teach might be relatively low, but the number of private HE institutions that exist in the ACs is much higher. Figure 23 shows that even within those countries that have a very small proportion of students studying in private institutions, there are nevertheless a significant number of such institutions. In Hungary, Estonia, and Poland, over 50 per cent of institutions are private. The private sector is a considerable factor in HE in the ACs.

Figure 23 The proportion of public / private institutions in the ACs



Notes: data for Cyprus and Malta were not available

Source: UNESCO-CEPES, Statistical information on HE in Central and Eastern Europe. www.cepes.ro

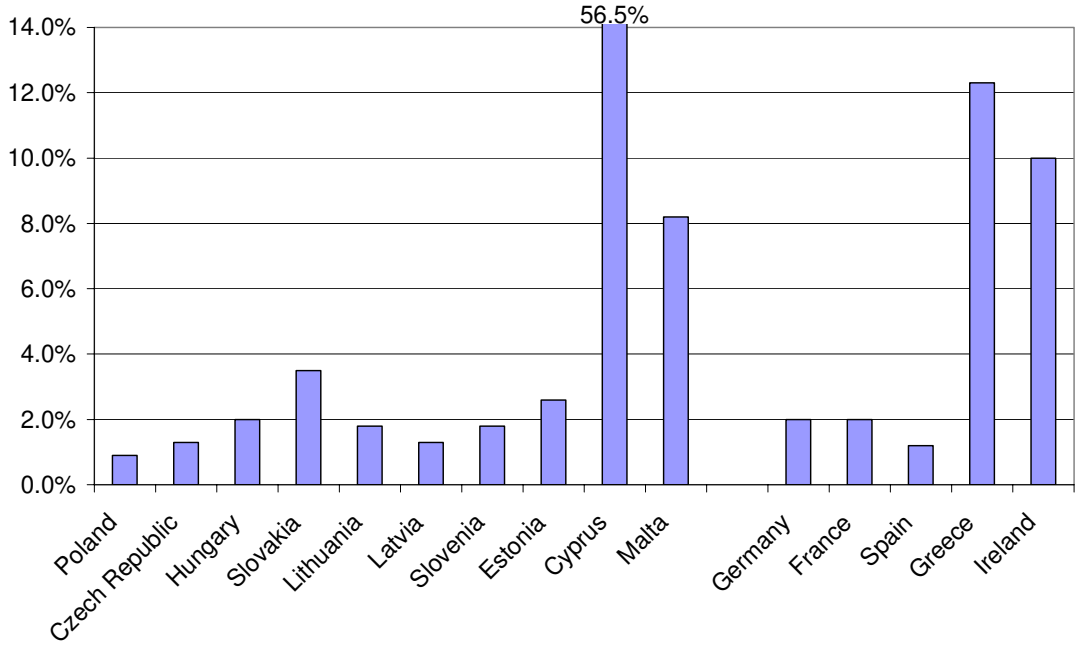
102. The capacity for growth that exists is mostly amongst the fee-paying systems or private systems that exist in many of the ACs. This is likely to have a different impact on demand for HE than if the ACs were able to accommodate growing numbers in state subsidised places. As a result, the supply of places alone is unlikely to be the cause of any further increase in HE numbers. However, state-subsidised places have been restricted for some time now and this has not prevented a rapid increase in HE numbers in recent years. If demand for HE is strong enough, there is capacity for growth within the fee-paying and private systems within the ACs.

Increased demand to study abroad in general from the ACs

103. If demand to study abroad increases in general across the ACs, the number of students coming to the UK will increase as a result (assuming the proportion choosing to study in the UK remains constant or increases).

104. Figure 24 shows that the pattern of study abroad across the ACs is very similar to the pattern across the EU countries shown. There are some outlying countries with very high proportion of students studying abroad (Cyprus and Malta within the ACs, and Greece and Ireland within the EU countries shown), and then a general pattern of around 2 per cent of students studying abroad across all other countries. The proportion of students studying abroad within Poland, the Czech Republic, and Latvia are below average and therefore might be more likely to increase in the future. However, some existing EU countries (e.g. Spain) have an equally low proportion of students studying abroad.

Figure 24 Proportion of students studying abroad



Source: Eurydice (2002)

Wealth

105. Regardless of fees, studying abroad is expensive because of high maintenance / living costs as well as travel costs. As a result of the high costs involved and the greater propensity for mobility amongst the higher social classes, as table 25 illustrates, mobile students are more likely to be from high-income backgrounds. We can see from table 25 that around 67 per cent of Erasmus students' parents are managers, professionals, or associate professionals (occupations which categorise the highest 3 social classes in the UK). These same occupation groups make up just 38 per cent of people in employment aged 45 or over across Europe (European Commission, 2000).

Table 25 Occupation of parents of Erasmus students

	Occupations of parents of Erasmus students (%)	Occupations of people in employment aged 45 and over (%) (1)
Managers and scientific staff	**57**	**25**
Associate professional and technical staff	**10**	**13**
Clerical, secretarial, and service staff	21	29
Craft and trade, elementary occupation	9	32
Inactive or unemployed	2	0
Other	1	1
Total	100	100

(1) European Labour Force Survey,1997

Source: (European Commission, 2000)

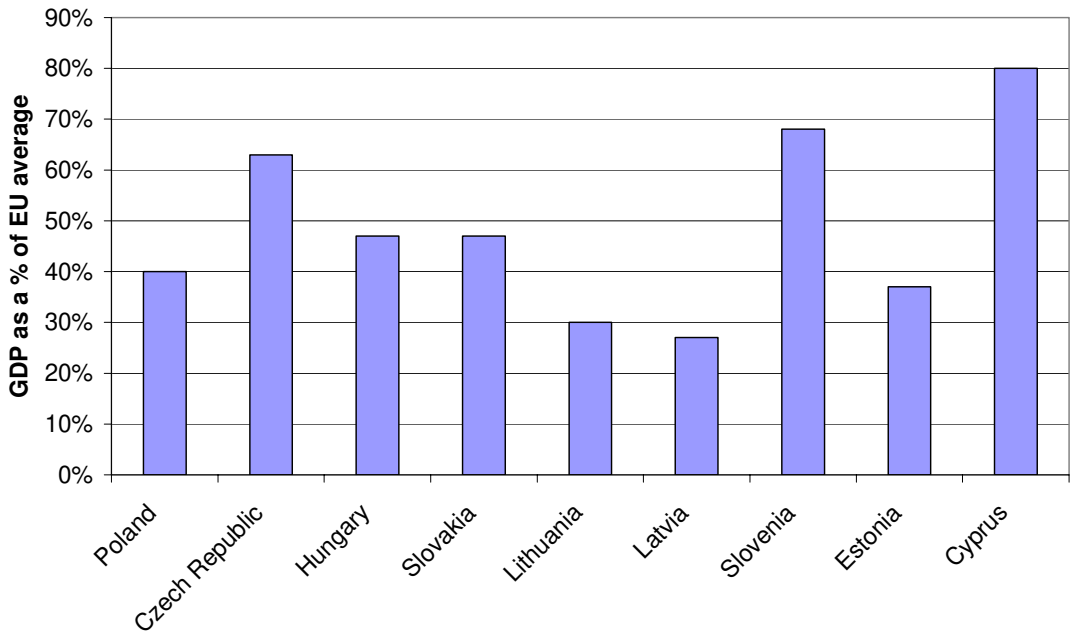
106. Forthcoming analysis of UK Erasmus students by the HEFCE shows a disproportionate representation of students from higher social classes amongst UK Erasmus students in comparison to other home HE students. For UK Erasmus students, this is at least in part due to subject choice, and a result of the high proportion studying modern foreign languages in particular. But of those UK Erasmus students not studying a modern foreign language, there is still a disproportionately high representation of students from higher social classes.

107. If anything, this is likely to be an under-estimate of the proportion of mobile students from high-income backgrounds. Erasmus students are more likely to have a higher proportion of entrants from poorer backgrounds than the population of spontaneous mobile students. This is because Erasmus students study abroad for shorter periods of time, on organised programmes, and often with access to grants. As a result, when considering how wealth impacts propensity to study abroad, it is important to consider the size and wealth of the highest earning groups.

108. Figure 26 shows that all ACs have below the EU average level of GDP with most ACs having under 50 per cent of the EU average GDP.

109. Cyprus has the highest GDP at 80 per cent of the EU average (a similar level to Greece), with Slovenia and the Czech Republic slightly below at between 60-70 per cent of the EU average. However, both Poland and Estonia have a GDP that is below 40 per cent of the EU average and Lithuania and Latvia have less than 30 per cent of the average EU GDP.

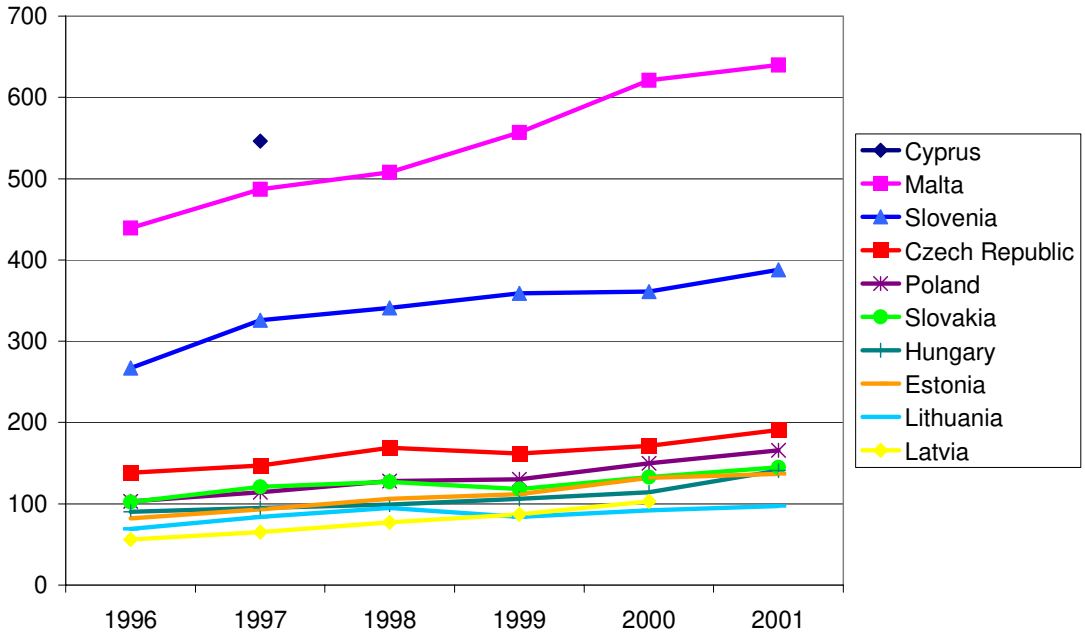
Figure 26 GDP in each of the ACs as a % of EU average



Source: Europa / Eurostat data http://www.europa.eu.int/index_en.htm

110. Figure 27 shows that Cyprus and Malta are the wealthiest of the ACs in terms of purchasing power. Slovenia has an average purchasing power above other Central European ACs and all other ACs have very similar levels. Figure 27 shows that the standard of living in each AC is increasing in terms of purchasing power – and all show similar rates of improvement.

Figure 27 Average Household consumption of each Accession Country 1996-2001



Source: Eurostat data, table 'csoc03cc'. Average household consumption is in Euros

111. However, because only small percentage of students study abroad, and because (as shown in table 25) these students predominantly come from high social class backgrounds, it is not the average wealth of a country that will determine demand for HE abroad, but instead the size and wealth of the highest earning groups.

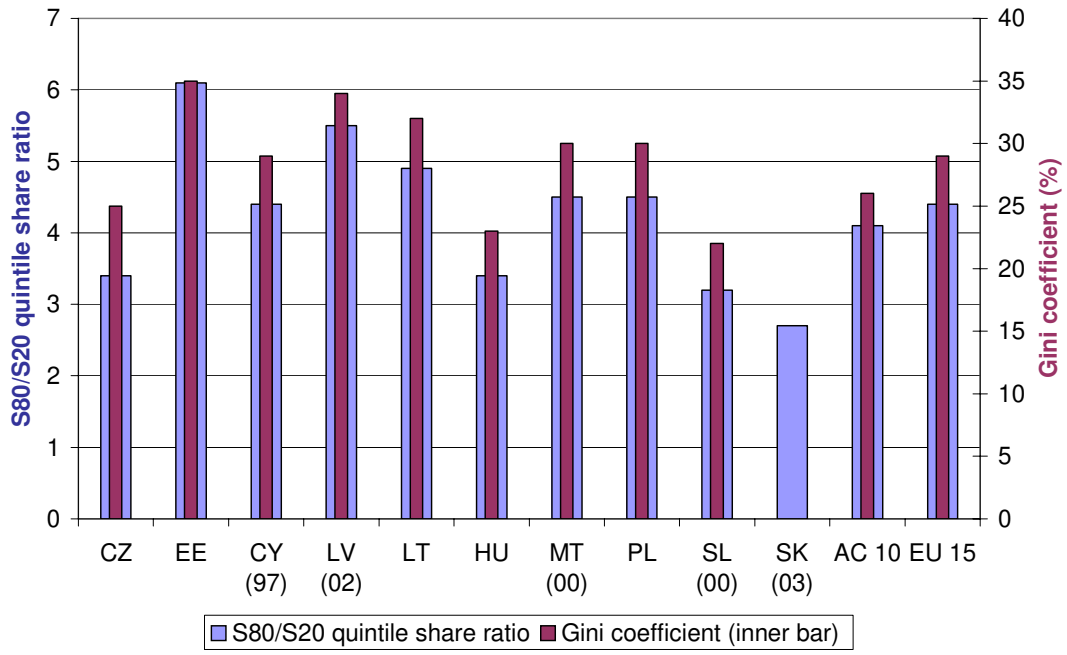
112. Distribution of wealth is a difficult thing to measure – especially in a way that is comparable across countries. However the S80/S20 quintile share ratio and the Gini coefficient in each of the ACs should give an approximation of the distribution of wealth. The higher the distribution of wealth and the higher the average GDP, the higher the income of the highest earners is likely to be.

113. For each country, the S80/S20 ratio compares the total equivalised income received by the top income quintile (20 per cent of the population with the highest equivalised income) to that received by the bottom income quintile (20 per cent with lowest equivalised income). While the S80/S20 ratio is only responsive to changes in top and bottom quintiles, the Gini coefficient allows the full distribution of income to be taken into account. If there was perfect equality (i.e. each person receives the same income), the Gini coefficient would be 0 per cent; it would be 100 per cent if the entire national income were in the hands of only one person. Explanations of the S80/S20 ratio and the Gini Coefficient have been taken directly from Dennis and Guio (2003).

114. Figure 28 firstly shows that there is a high level of consistency in the two measure across each country. It shows that the average distribution of wealth across the ACs is not very different to the average across the EU 15.

115. Figure 28 shows that Hungary, the Czech Republic, Slovenia and the Slovak Republic have the narrowest income distributions – although the highest earning 20 per cent still earn 3 times that of the lowest earning 20 per cent. In Cyprus, Malta, Lithuania and Poland, the highest earning 20 per cent earn between 4 and 5 times that of the lowest earning 20 per cent. However, in Latvia the highest earning 20 per cent earn 5.5 times that of the lowest earning 20 per cent – and in Estonia they earn 6 times as much.

Figure 28 Distribution of wealth amongst the Accession Countries



Source: Dennis and Guio (2003)

116. Looking at the distribution of wealth enables us to understand better the factors which could impact demand from students within the ACs to study abroad. For example, just looking at the very low average GDP of Estonia and Latvia might lead to an underestimation of possible demand to study abroad within these countries. When account is taken of the relatively high ratio of earnings between the highest and lowest 20 per cent of earners in Estonia and Latvia, the fact that both countries have at least the average proportion of students studying abroad (see figure 24) is not so unexpected.

117. Possible demand from countries such as Poland should not be under-estimated either. Poland might only have 40 per cent of the EU average GDP, but the highest 20 per cent of earners earn 4.5 times that of the lowest 20 per cent of earners. In terms of wealth, it is the level of income of the highest earners that will have the most significant impact on demand for HE abroad.

118. It is widely predicted that joining the EU will bring increased economic prosperity to these 10 Countries. If the existing distribution of wealth remains constant, the wealth of the

highest 20 per cent of earners could increase considerably. This is another factor that is likely to increase demand for studying abroad from the ACs.

Supply of Places / Capacity for growth within the ACs

119. The supply of places has already been considered in terms of its impact on HE numbers within the ACs. However, it is also relevant to whether demand for studying abroad will increase. A key determining factor of whether more students from the ACs will study abroad in the future is whether their own country can supply a sufficient number (and quality) of places to meet demand. If the ACs cannot expand their systems at a rate which will accommodate the increase in demand resulting from demographic, educational and economic drivers, then an increasing number may choose to study abroad. Greece is a good example of a country where restricted supply of HE places within the country has led to large proportions of Greek students studying outside Greece (largely in the UK).

120. The ACs have shown a significant capacity for growth in recent years. However, the key question is whether this will be enough in the future. This is very difficult to answer and varies by individual countries. Cyprus, for example, has a limited number of HE places available and has not been able to meet demand for HE within its own country for many years. 57 per cent of HE students from Cyprus study abroad. The question for Cyprus is whether the system has matured and settled at this level or whether there is capacity to provide HE for more people within Cyprus in the future. In the Czech Republic, only 56 per cent of applicants get a place in HE. As a result, the percentage of students that study abroad could increase significantly in the future.

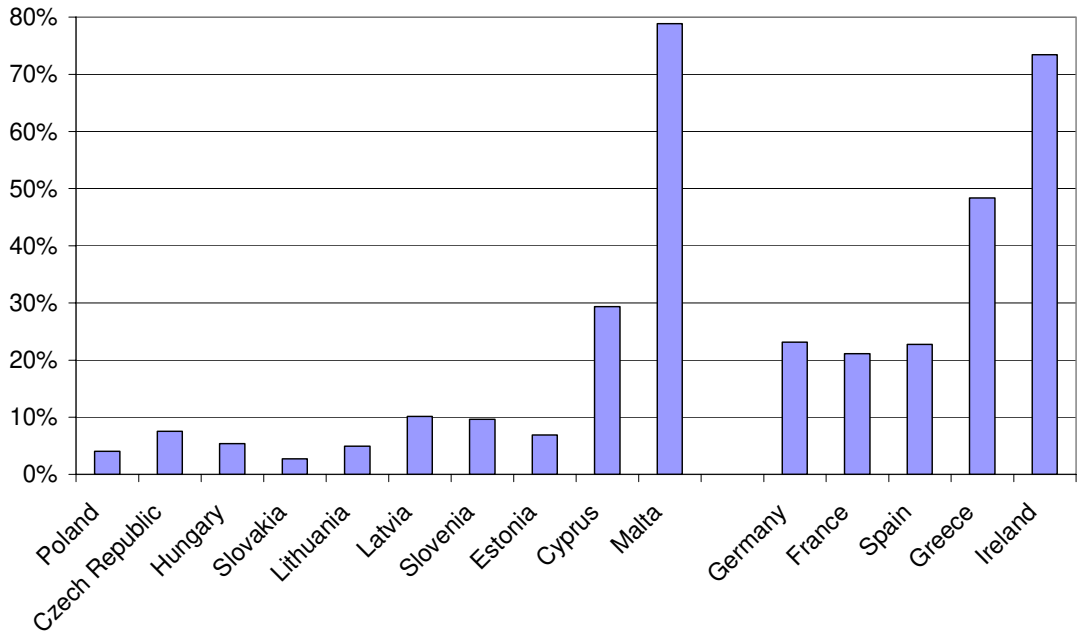
121. As discussed in the previous section, within many of the central European ACs there are a limited number of state subsidised places available – all other students have to pay for their HE. Whilst there is a much higher capacity to expand the fee-paying systems or private systems that exist in many of the ACs, without further expansion of the state subsidised places, this is likely to lead to an increased number of students choosing to study abroad from these countries.

Increased demand to study in the UK from the ACs

122. Figure 29 shows that the proportion of those studying abroad that choose to come to the UK differs quite clearly between the ACs and the EU control countries observed. This concurs with previous findings shown in figures 4 and 5. The ACs and the EU countries each have two outlying countries, but the general pattern across the AC countries is that around 5-10 per cent of students abroad are in the UK. This differs from the EU countries where around 20 per cent of students abroad are in the UK. The question is whether, when the ACs join the EU, the proportion of students abroad choosing the UK will increase to EU average levels – this would treble the proportion of students abroad from the ACs choosing the UK.

123. The other countries to consider are the outliers. Those countries where a very high proportion of students study abroad, also have a high proportion of those students studying in the UK – this is true for both the ACs and EU countries. If joining the EU creates any more outliers amongst the ACs, this could have a significant impact on demand for UK HE. Cyprus, for example, has 7 times as many students in the UK as Poland despite having a tiny fraction of its total student population.

Figure 29 Proportion of those studying abroad that choose to come to the UK



Source: calculated from figure 24 and tables in Annex B

124. Another way to look at demand for UK HE is in terms of the proportion of the total home HE student population in the ACs that are currently studying in the UK. Table 30 shows that, on average, the ACs send a lower proportion of their HE students to the UK than the EU 15 countries. The proportion of the total HE student population that are studying in the UK is approximately 3 times higher on average across the EU 15 in comparison to the

ACs. However, as is the case within the EU, this figure hides a high level of disparity across the ACs.

125. Table 30 shows that Cyprus and Malta have by far the highest proportion of their total HE student population studying in the UK, around 30 per cent and 5 per cent respectively. The extent to which Cyprus and Malta differ from the other ACs in this respect clearly demonstrates the importance of individual circumstances within each of the countries in determining the level of demand for UK HE.

126. Slovenia and Estonia then have the highest proportion of their HE students studying in the UK of the central European Countries, but the proportions are still small at 0.2 per cent for both countries. Each of the other European ACs show a very similar pattern of demand for UK HE with 0.1 per cent of their student population studying in the UK. The exception is Poland with just 0.03 per cent of its HE student population studying in the UK. However, it should be kept in mind that in terms of numbers of students, Poland has the second highest number of HE students studying in the UK behind Cyprus. Furthermore, as table 10 showed, the number of Polish HE students in the UK is increasing at a fast rate - by 36 per cent from 1998-99 to 2000-01.

Table 30 The proportion of the HE population studying in the UK for each of the ACs

	Total number of HE students	**HE students studying in the UK**	**HE students in the UK as a proportion of total HE students**
EU 15	**13,020,476**	**79,323**	**0.6%**
AC 10	**2,916,821**	**5,798**	**0.2%**
Poland	1,774,985	578	**0.03%**
Hungary	330,549	332	**0.1%**
Czech Republic	260,044	250	**0.1%**
Slovak Republic	143,909	130	**0.1%**
Lithuania	135,923	108	**0.1%**
Latvia	102,783	120	**0.1%**
Slovenia	91,494	146	**0.2%**
Estonia	57,778	97	**0.2%**
Cyprus	11,934	3,649	**30.6%**
Malta	7,422	388	**5.2%**

Source: Total number of HE students is from Figure 12, 2000-01. HE students studying in the UK is from Table 9, 2001-02.

The extent to which joining the EU will change the propensity of students from the ACs to choose to study in the UK

127. At present, Germany and the US are the most popular destinations of study for students from the ACs that are studying abroad. The question is, whether joining the EU will change the propensity of these students to choose the UK towards a more similar level to students from the EU.

128. Forthcoming market research for the British Council (along with UUK and IDP Research) using discrete choice methodology, identifies the factors that are involved in how a student chooses which country to study in when studying abroad. The factors that affect choice, in order of importance, are quality of HE, employer recognition of qualifications, affordability, personal security, lifestyle, and access to education.

129. MORI research (MORI, 2000) undertaken in two of the ACs, Hungary and the Czech Republic, found that the UK was the most popular choice as a destination for HE. 35 per cent of Czechs and 31 per cent of Hungarians would choose to study in the UK, if choice were unconstrained. This is a reflection of the high regard for the UK system of HE in terms of the quality of HE and employer recognition of qualifications – the two most important factors in an individual's choice of an overseas country in which to study.

130. The factors that will be most affected by the ACs joining the EU are affordability and access to education (the third and fourth most important decision factors). The major change to affordability will be in terms of fees. Moving from international level fees to home and EU level fees will reduce fee levels to less than one seventh of their current level for undergraduates (under the current fee system) and to less than half their current level for postgraduates. The next section analyses the effect of fee changes in detail, but the effect this will have on the affordability of UK HE in terms of fees is clear.

131. Even though the UK is the most popular destination according to the MORI poll – if choice were unconstrained– at present, students from the ACs choose to study in the US and in Germany to a much greater extent than they do the UK. However, joining the EU, and moving from international level fees to home and EU level fees, will make the UK much more affordable than the US in terms of fees and put the UK on a much more level playing field with Germany.

132. If the Government's proposed changes to fees are introduced in 2006-07, this will reduce the up-front cost of study even further as a result of 100 per cent of fees being deferred. This would actually increase the affordability of UK HE even further in terms of up-front cost. However, the impact on demand is complicated because this depends on *perception* of affordability. There is a job to do to make sure that the proposals for deferred fees and income contingent repayments are understood. The British Council is working hard to improve the understanding of UK HE within the ACs. However, experience in the UK shows how difficult it is to convey this information to the general public.

133. The other factor affected by the ACs joining the EU is access to HE. As EU students, students from the ACs will have much improved access to HE in the UK. In terms of admissions, UK and EU students have to be treated on a like for like basis. There is likely to be an additional impact on demand for UK HE (and HE in the Irish Republic) as a result of the full access the UK is offering in terms of employment mobility to members of the ACs. The impact of the UK and Ireland welcoming members of the ACs from May 2004 is likely to have an impact on demand for UK HE because of the feeling of welcome and open access it will create in contrast to the limitations on mobility that are being imposed across all other EU countries. Access to employment whilst studying, and employment after graduation, are also likely to impact demand for UK HE above other EU countries.

134. Research shows that the UK is the most popular destination for study, if choice were unconstrained. The major changes to affordability and access as a result of the ACs joining the EU will make studying in the UK a genuine possibility for many more individuals from the ACs choosing to study abroad. The indications are that demand for UK HE will increase once the ACs join the EU. They are likely to converge towards EU levels, but could increase even higher.

Fees and national student support systems within the ACs for students studying abroad[17]

Fees

135. We know that affordability is one of the main factors affecting an individual's choice of which country to study in when choosing to study abroad. Joining the EU will have a major impact on affordability in terms of fees and it is worth considering these changes in detail.

136. The present fee situation for EU students in the UK is that EU students are eligible to pay the same up-front tuition fee that UK students currently pay (£1,125 each year for undergraduates and an average of £3,000 for postgraduates depending on the subject and HEI chosen). EU undergraduate students are also eligible to be means tested against the same criteria as UK undergraduate students to assess what proportion of this fee, if any, they are eligible to pay. When the ACs join the EU their students will also be means tested against the same UK criteria despite average earnings being much lower in the ACs.

137. The current situation in terms of access to financial student support is that EU students do not have access to financial student support within other member states, therefore EU students do not have access to student loans in the UK. If a student loan were available to UK students to cover the cost of tuition fee payment, then EU students would have equal access to this type of loan. However, existing loan facilities are clearly defined as being for maintenance support only within the UK and therefore EU students do not have access to student loans in the UK at present.

17 The analysis of fees and student finance arrangements has been based on the arrangements in England. It is possible that variable fee levels across countries within the UK could have an impact on the distribution of demand but evidence suggests this is not very likely. Since Scotland abolished fees, this has not had an impact on the distribution of demand from EU students.

138. Existing students in the UK from the ACs are paying international student fees – at both undergraduate and postgraduate levels. From September 2004, students from the ACs will be paying home / EU fees. As table 31 demonstrates, home fees will make the UK a lot less costly for all of these students – around seven times less for undergraduates, and two and a half times less for postgraduates[18] (with the exception of MBAs for which home and international fees are virtually the same).

Table 31 Average annual tuition fees for full-time undergraduates, taught postgraduates (one-year MA/MSc) programmes and full-time one-year MBA, 2002-03

	undergraduate	postgraduate	MBA
Home and EU fee (HEU)	1100	3186	9826
Overseas fee band 1(OS 1)	7397	7381	10809
Overseas fee band 2(OS 2)	8325	8460	
Ratio HEU: OS 1	6.7	2.3	1.1
Ratio HEU: OS 2	7.6	2.7	

Source: Surveys of UK University and HE Colleges fees 2002-03, Mike Reddin, London School of Economics. From the open access fees database at http://www.lse.u-net.com/EDUCATION.htm

139. In terms of assessing the impact this will have on the affordability of UK HE, it is necessary to consider UK fee arrangements in relation to fee arrangements in other EU countries and in the ACs themselves.

140. Fees within the ACs have been outlined in the previous section (table 21). We already know that, with the exception of Poland, in all the ACs some students have to pay some sort of fee for HE. As many as 45 per cent of students pay fees in Lithuania. The culture of making a financial contribution to HE costs already exists. Furthermore, for those countries for whom data could be obtained, the level of fees are comparable to the UK undergraduate tuition fee – if not higher. Fees of up to £1,860 per semester and £4,200 a year exist in Hungary and Lithuania respectively, and in Cyprus there are registration fees at some HEIs up to £4,375. Living costs will still be a great deal higher in the UK, but in terms of fees, home and EU level fees will make the UK more comparable with many of the ACs.

141. In terms of demand for other EU countries instead of the UK[19], it is important to note that fees either exist or there are proposals to introduce fees in most other major EU countries. Table 32 shows that in Germany, fees have already been introduced in four of the Lander (states/ regions) (Eurydice, 2002), in France, students pay a registration fee and a payment for medical care, and in Ireland registration fees exist.

18 Also supported by evidence from UUK (UUK,2003).

19 With regard to the UK it should be noted that Scotland abolished tuition fees in 2000-01. However, the number of EU students going to Scottish HEIs has not increased since that time.

Table 32 Fee arrangements in some of the EU countries

Country	Tuition Fee	Tuition fee if over gov't quota of subsidised places	Registration Fee	Entrance exam fee	Contribution to student org/ student services/medical care costs	Fee for evening classes only	Comment
Germany	X *				X		Fees introduced in 4 Lander now.
UK	X *						Means-tested contribution to tuition fees. Not in Scotland.
France			X		X		
Greece							Free
Ireland	*		X				Fees abolished 1996. Proposals to re-introduce tuition fees.

Source: European Society for Engineering Education (SEFI), www.ntb.ch/sefi/ for table see http://www.ntb.ch/SEFI/milestones/TABLE%206.rtf

142. The impact on demand for full-time undergraduate courses in England of the proposed variable fee arrangements will depend on two factors

- How they are communicated / how well they are understood across the EU
- Whether the UK Government can sort out a system of repayment of deferred fees for EU students leaving the UK at the end of their studies.

143. The UK Government is proposing to introduce a variable fee of up to £3,000 per year for home and EU full-time undergraduates in England. Repayments would be 100 per cent deferred, and there would be no up-front costs for the student. Affordability should not be conflated with debt. In terms of affordability these proposals would actually reduce the up-front cost of studying in the UK making it more, not less, affordable. After graduation, payments would not start until the graduate was earning over a certain threshold (£15,000 per annum currently proposed), and then payments would be collected through taxation and therefore the level of payment would always be income contingent[20].

144. Research shows that it is up-front cost that can impact demand for HE. International experience of increasing tuition fees, where there has been no increase in upfront costs 'suggest there are no adverse effects on participation' (OECD, 2004). Therefore, any impact

20 The arrangements for deferred and income contingent payments will not prove easy to put in place for non-UK students. For a further discussion of this point see paragraphs 203 to 205.

on demand of this proposed new system is likely to depend on the *perception* of affordability (therefore how well the proposals are understood within the ACs).

145. Tuition fees are already a part of the UK system, but they are increasingly becoming a part of every HE system across Europe including the ACs. Moving from international student fees to home and EU level fees, puts the UK on a much more level playing field wit the rest of Europe in terms of affordability. The culture of making some kind of financial contribution to HE exists in nearly all of the ACs already and existing contributions are comparable to undergraduate fees proposed in England. In terms of demand for UK HE, the cost of maintenance / living is likely to be a more important consideration.

National student support systems within the ACs for students studying abroad

146. The biggest cost to EU students in the UK are living / maintenance costs, and EU students do not –as yet – have access to financial support arrangements available to home students (currently student loans and hardship / access bursaries). As a result, the national student support systems for students studying abroad within the ACs are likely to have a significant impact on the number of students that can afford to study abroad.

147. Figure 33 shows that Cyprus and Malta have by far the most generous systems of support for students abroad. Cyprus and Malta also have by far the highest proportion of students studying abroad (57 per cent in Cyprus). It will be interesting to see how generous the system being developed in Poland will be and what impact it has on the propensity of HE students to study abroad.

Figure 33 National student support systems for students studying abroad

	National system of support for studies abroad	**Grants / scholarships for study abroad**	**Loans made available**
Cyprus	**X**	**X**	
Malta	**X**	**X**	
Czech Republic		**X**	
Estonia			**X**
Latvia		Limited number	To cover tuition fees
Slovak R.		Limited number	
Slovenia		Limited number	
Hungary		Very limited number	
Lithuania		Very few	
Poland	system being prepared		

Source: European Society for Engineering Education (SEFI), www.ntb.ch/sefi/ for table see http://www.ntb.ch/SEFI/milestones/TABLE%206.rtf

148. We know from figure 21 that there are low levels of support available within the ACs for home students. Whist this is by no means in itself an incentive to study abroad, it does mean that financial support will not act as an additional incentive to stay within their own country.

149. The most significant factor in terms of impacting demand for UK HE will be if in the future EU students are given the same access to student support facilities as home students. With England proposing to re-introduce grants of up to £3,000 a year for undergraduates, this could have a dramatic effect on demand for HE – if, and only if, EU students are given equal access to financial support. If this were to happen, it would be likely to have a much greater impact on demand for HE in England than any changes to fee levels.

150. The progression of EU competency regarding education as a result of mobility legislation, along with the spirit of Bologna agreement, means that at some point in the future it is likely that EU students will have full access to the same student financial support arrangements as UK home students.

Demand to study in an English speaking country

151. Demand for UK HE is in part connected to demand to study in the English language (although not necessarily to study the language itself). The international student market is worth billions of pounds across the UK, US, Australia, and to a lesser extent in Canada and the Irish Republic. In France and Germany, however, international students study for free. Germany and France, along with other EU countries, are developing successful fee-paying HE programmes for international students, but these are courses that are taught in the English language.

152. In terms of demand within the EU, the highest take-up of places by Erasmus students is within the host nations of the UK and the Republic of Ireland (European Commission (2000)). The English language has strong associations with international trade and business, with ICT technology and the internet, and with popular culture amongst young people in Europe.

153. A key indication in relation to possible demand for UK HE is the extent to which English is now the most popular second language learnt in general secondary education. Table 34 shows that English is the most popular second language in schools in each one of the ACs – as well as each of the EU control countries shown. Table 34 also shows the ratio of English taught compared to the next most common language learnt (German, French, or Spanish).

Table 34 The ratio of 2nd languages taught in general secondary education (ISCED 2 and 3)

	English	German	French	Spanish
Poland	1.5	1		
Czech Republic	4	3		
Hungary	2.5	2		
Slovak Republic	16		1	
Lithuania	2	1		
Latvia	3	1		
Slovenia	2	1		
Estonia	8	3		
Cyprus	1		1	
Malta	3		1	
Germany	4		1	
France	3			1
Spain	3		1	
Greece	2		1	

Source: Eurydice (2002)

154. The most significant change is amongst the central European countries such as Poland, the Czech Republic and Hungary, where German used to be the most popular second language. Considering the popularity of studying HE in the medium of the English language, having a high proportion of young people already comfortable with the English language can only help boost demand for UK HE from the ACs.

C: PROJECTIONS

155. The previous sections of this report show that there are good reasons for thinking that demand for HE will continue to increase in ACs, despite a declining young population. This is in particular because it is likely that the very high number of level 3 qualifiers will increase their propensity to enter HE to something closer to EU levels, and economic growth is likely to drive labour market demand for high level skills.

156. This section considers a number of different scenarios, based on alternative developments in the ACs. All the scenarios assume continuing rapid growth, but at half the very rapid rate of recent years. The scenarios also make identical assumptions about the overall propensity of AC students to study abroad. The scenarios differ in their assumptions about the propensity of AC students to study in the UK. There are good reasons for thinking that demand for UK HE will grow substantially from AC students, most notably because UK HE will become considerably more affordable, especially relative to the USA and Germany.

Scenario 1: low growth projection

157. Scenario 1 considers an increase in demand for UK HE as a result of growth in total HE numbers within the ACs, and the proportion of students studying abroad and choosing to studying in the UK remaining constant.

158. There were 2.9 million HE students within the ACs in 2000-01. The recent rate of growth in numbers has been 10 per cent each year. This is extremely high. The factors that influence demand for HE and the participation rate suggest continuing strong demand for HE. Nevertheless, with a declining young population, this rate of increase would be difficult to maintain into the future. If HE numbers continue to increase at half the present rate of increase – by 5 per cent each year - the total HE student population within the ACs will reach 4.7 million by 2010.

Scenario 1 assumptions:

- The growth rate of participation within the ACs continues to 2010 at half the present rate
- No change in the proportion of students from the ACs that choose to study abroad in general
- No change in the proportion of students from the ACs that choose to study in the UK

159. Approximately 6,000 students from the ACs chose to study in the UK in 2001-02. 3,250 as undergraduate students, 1,800 as postgraduate taught students and 750 as postgraduate research students. At present, 1.8 per cent of students from the ACs – 85,000 students - study abroad[21]. 6.5 per cent of those studying abroad choose to study in the UK as undergraduate students, 3 per cent as postgraduate taught students, and 1.4 per cent as postgraduate research students. Assuming these proportions remain constant, with a total

21 1999-2000 figures, Eurydice (2000)

student population of 4.7 million within the ACs by 2010, there will be 5,500 undergraduate students from the ACs in the UK, 2,500 postgraduate taught students, and 1,000 postgraduate research students. Under scenario 1, the number of students from the ACs studying in the UK would reach around 9,000 by 2010.

Scenario 2: medium growth projection

160. Scenarios 2 and 3 consider an increase in demand for UK HE as a result of an increase in the proportion of students from the ACs that choose to study in the UK, while the proportion of students studying abroad remaining constant.

161. The percentage of those students studying abroad from the ACs that choose to study in the UK is likely to increase significantly as a result of the ACs joining the EU. UK HE is already considered very highly in terms of the two most important factors affecting an individual's decision about which country to study in – quality of HE, and credibility of qualifications with employers. It was the most preferred country for study amongst those surveyed from the ACs with one third of people choosing to study in the UK if choice were unconstrained. The biggest effect of the ACs joining the EU will be to make UK HE more affordable – the third most important decision factor. Along with changes to access to HE and access more generally, the desire to study in the UK will become a more realistic choice for many more students from the ACs that have decided to study abroad.

Scenario 2 assumptions:

- The growth rate of participation within the ACs continues to 2010 at half the present rate
- No change in the proportion of students from the ACs that choose to study abroad in general
- The proportion of students from the ACs that choose to study in the UK increases half way towards EU average levels by 2010

162. As with scenario 1, this scenario assumes that HE numbers will continue to increase at half the present rate – by 5 per cent each year – and that 85,000 students from ACs will be studying abroad by 2010.

163. The proportion of students from the EU that study abroad is 2 per cent of all students – not very different to the 1.8 per cent of students from the ACs studying abroad. However, 22 per cent of these students studying abroad from the EU choose to study in the UK as undergraduate students, 10 per cent as postgraduate taught students, and 4 per cent as postgraduate research students. These proportions are considerable higher than the equivalent proportions from the ACs at present (6.5 per cent, 3 per cent, and 1.4 per cent respectively). Because of the scale of the increase required to meet EU proportions of students choosing the UK, this scenario assumes that the ACs reach half way towards the EU proportions by 2010.

164. This would mean that by 2010, 14 per cent of those students studying abroad from the ACs choose to study in the UK as undergraduate students (12,000), 6.5 per cent as postgraduate taught students (5,500), and 2.5 per cent as postgraduate research students (2,000). Under scenario 2, the number of students from the ACs studying in the UK would reach around 20,000 by 2010.

Scenario 3: high growth projection

165. Because of the scale of the increase required to meet EU proportions of students choosing the UK, scenario 2 assumed that the ACs reached half way towards the EU proportions by 2010. However, it is difficult to know what impact the changes resulting from the ACs joining the EU will have on the propensity of students to choose the UK. The popularity of the UK as the first unconstrained choice of destination of study amongst the ACs, along with the scale of the changes to affordability and to access, suggest that joining the EU could indeed bring the propensity of students to choose the UK up to EU levels.

Scenario 3 assumptions:

- The growth rate of participation within the ACs continues to 2010 at half the present rate
- No change in the proportion of students from the ACs that choose to study abroad in general
- The proportion of students from the ACs that choose to study in the UK increases to EU average levels by 2010

166. As with previous scenarios, this scenario assumes that HE numbers will continue to increase at half the present rate – by 5 per cent each year – and that 85,000 students from ACs will be studying abroad by 2010. However, under this scenario, the proportion of students that study abroad from the ACs choosing the UK reaches EU levels by 2010. This would mean that by 2010, 22 per cent of those students studying abroad from the ACs choose to study in the UK as undergraduate students (19,000), 10 per cent as postgraduate taught students (8,500), and 4 per cent as postgraduate research students (3,000). Under scenario 3, the number of students from the ACs studying in the UK would reach around 30,000 by 2010.

An increase in the proportion of students from the ACs studying abroad

167. The proportion of HE students studying abroad from the ACs is already very similar to the EU average level (1.8 per cent compared to 2 per cent). However, there is the possibility that the proportion studying abroad from the ACs might increase in the future as a result of the projected increase in wealth (from economic growth) after joining the EU, and possibly as a result of the continuing restriction of state-subsidised places within the ACs.

168. If the proportion of students from the ACs studying abroad increases by just 10 per cent to the EU average level of 2 per cent, this will mean around 94,000 studying abroad by 2010. If the proportion of students that study abroad from the ACs choosing the UK reaches

EU levels by 2010, this would mean that the number of students from the ACs studying in the UK would reach around 34,000 by 2010. However, if the proportion of students studying abroad increased much beyond EU levels, to around 3 or 4 per cent of students for example, demand for UK HE could reach as high as double this figure.

Outliers

169. At present, all outliers (countries that lie outside the general trend by a large margin) in terms of the proportion of students that study abroad, are also outliers in terms of the proportion of students that study in the UK. It is possible that, as a result of joining the EU, more of the ACs become outliers, as Cyprus and Malta already are.

170. For example, what if the Czech Republic (where about 45 per cent of applicants do not get a place in HE) were to become an outlier as a result of UK HEIs developing similar connections / reputations that exist in Greece and the Republic of Ireland (both outliers in terms of demand for UK HE). Demand for UK HE from the Czech Republic could become more similar to the levels of demand that currently exist from Greece and the Republic of Ireland.

171. The Czech Republic has an HE population of about 260,000. Around 11 per cent of the total HE population in Greece and the Republic of Ireland study abroad – this would equate to 28,600 Czech students studying abroad. Around 60 per cent of those studying abroad from Greece and the Republic of Ireland, study in the UK. If a similar pattern of demand were to develop amongst students from the Czech Republic this could, over time, increase the number of students in the UK by up to an additional 17,000.

172. This demonstrates the significant difference that outliers make to the level of demand for UK HE. It is very difficult to predict whether this is going to happen within any of the central European ACs, but it is worth keeping in mind the possibility. It would also take time to develop these sorts of levels of demand for UK HE – these changes are not going to happen overnight.

Conclusion

173. The most likely outcome is something between the levels of scenarios 2 (20,000 increase by 2010) and Scenario 3 (30,000 increase by 2010). If anything, this is likely to be an underestimate of numbers. If the proportion of students from the ACs studying abroad greatly increases, or some of the ACs become outliers as a result of joining the EU, this could add significantly to these totals. It is likely that a considerable part of the increase in numbers will take place immediately in September 2004 as a result of the conditions that will change when the ACs join the EU.

174. The biggest cost to EU students in the UK are living / maintenance costs, and EU students do not –as yet – have access to financial support arrangements available to home students. With England proposing to re-introduce grants of up to £3,000 a year for undergraduates, this could have a dramatic effect on demand for HE – if, and only if, EU

students are given equal access to financial support. At present they do not, but if EU law changes on this matter, the demand for UK HE could increase greatly.

Nature of demand

175. Annex A contains a detailed analysis of the likely nature of these students. As a result of ACs joining the EU we are likely to see

- An increase in the proportion of undergraduates coming from the ACs (although this does not mean that postgraduate numbers will not increase of course)
- An increase in the proportion of undergraduates from the ACs that are studying at post-92 HEIs
- Little change to the subjects studied by EU and AC students as these are very similar, the most popular choices being Business and Administration, Engineering and technology, Social, Economic and Political studies, Languages, and science subjects. A large number of students from the ACs also study education subjects at present.
- A slight increase in the proportion of female students

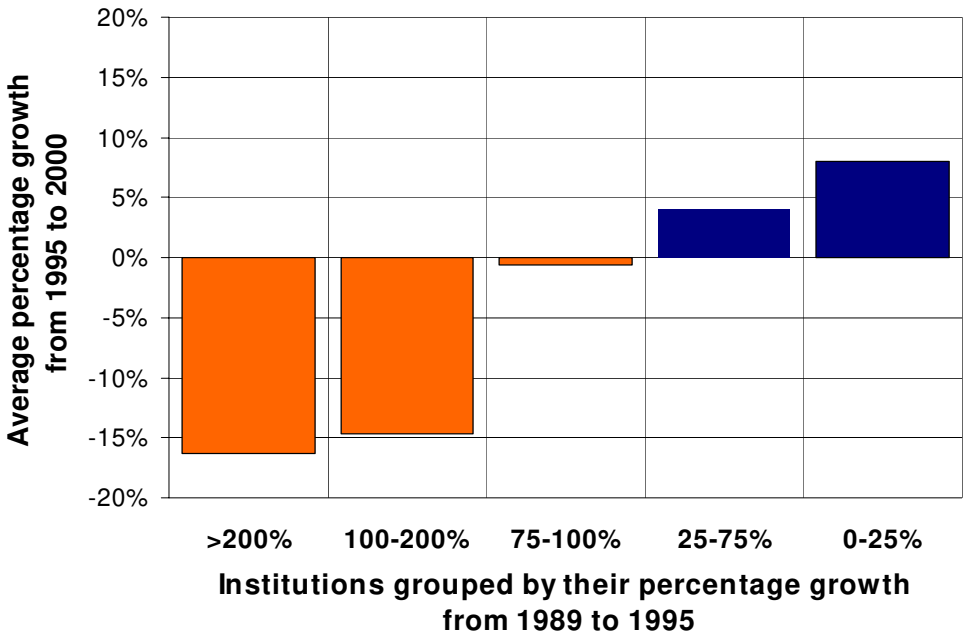
D: IMPACT ON UK HE SUPPLY AND DEMAND[22]

176. With 180,000 to 250,000 additional undergraduates projected in England alone to 2010, adding 20,000 to 30,000 additional EU students to this projection– and possibly more than this – will put even greater pressure on the current HE system in the UK.

177. The UK market for HE is complex – if it can be described as a market. To the extent to which it is a market, entry qualifications are still the currency by which students choose their HEI. But places are limited by the level of Government funding available for additional places (along with some flexibility within the funding system), and by an HEIs capacity and desire to expand.

178. Generally speaking – and there were exceptions – it was the post '92 HEIs that rapidly expanded in the late 1980s and early 1990s when the student population last increased at a rapid rate. Since the mid-1990s, demand for HE, and therefore student numbers, have flattened off and have only increased gradually since this time (see HEPI (2003a)). Generally speaking it is the pre –'92 HEIs that have continued to grow at a steady rate whilst many post '92 institutions have experienced unfilled places. Figure 35 illustrates that those HEIs that grew most rapidly in the early 1990s have grown least in the late 1990s. Those that followed a steady rate of growth, have continued to do so.

179. Figure 35 Institutions grouped by their percentage growth in full-time students[23]



Source: HEFCE (2001)

22 The analysis regarding impact on supply and demand has been written with reference to the circumstances in England particularly but has implications for other countries in the UK.

23 Including full-time sandwich students.

180. This has led observers to distinguish between 'selecting' institutions – those that select their students based on strict academic criteria, and 'recruiting' institutions – those that actively recruit students onto courses[24]. Generally speaking, selecting HEIs have continued on a path of gradual growth through the 1990s, and it is the recruiting HEIs that have struggled to fill places in the late 1990s.

181. Using this terminology, it is possible to observe the likely impact of an increase in HE numbers to 2010 – assuming projected demand is met through sufficient supply of places. Figure 44 in Annex A, shows that EU undergraduate students have been a useful source of student numbers for recruiting HEIs. Any increase in EU students from the ACs will add to the projected increase in the pool of qualified entrants from which recruiting institutions can recruit. Regardless of which HEI EU students attend, knock-on effects will mean that an increase in the total student population will increase the opportunity for recruiting HEIs to meet their student number targets – especially in shortage areas such as maths, science and engineering related subjects because of the disproportionately high number of applicants from the ACs for these subjects with strong qualifications. Taken alongside the projected increase of students in England of up to 250,000 to 2010 (HEPI (2003)), the UK HE system would be likely to see far fewer unfilled places to 2010.

182. Selecting HEIs take a higher number of postgraduate EU students, but still a significant number of EU undergraduates. Any increase in EU students from the ACs is likely to increase competition for places at selecting HEIs. Selecting HEIs will take the most academically able students regardless of their background – including country of origin – and this is very important to ensure a system of fair access. UK students compete with EU students on a like for like basis for limited places at selecting HEIs. Any increase in EU students from the ACs is likely to further increase the level of competition for these places.

183. If the Government chooses to restrict the number of additional funded places in the future, the consequences for supply and demand will depend on the HE sector's capacity to increase the supply of places independent of Government funded places. There is, theoretically, the capacity for HEIs to grow on a fees-only basis. Quite apart from the background of an under-funded HE sector as recognised by the Government's recent White Paper (DfES (2003)), current funding arrangements only permit this to a limited extent. Fees-only growth is therefore not considered further.

184. Under current funding arrangements, whether we will see a shortage of HE places in the UK for the first time in decades will depend on the availability of Government funding for additional places. Considering the projected demand for 180,000 to 250,000 additional HE places in England, plus up to 30,000 additional places demanded by EU students coming from the ACs, and the projected pressure on supply becomes evident. If supply does not increase sufficiently to meet demand, it is not just EU students that will lose out: the number

24 Recruiting institutions are those that actively recruit students onto courses, and often have an excess of supply over demand. Selecting institutions are those that are able to select, and generally have an excess of demand. This typology while crude is nevertheless helpful in general.

of HE places available will not be sufficient to meet demand from home applicants either – this could actually reduce UK participation rates in HE.

E: COSTS AND BENEFITS TO THE UK[25]

185. This section assumes that the Government will be willing to meet the cost of the increased demand arising from AC students, and considers the costs and the benefits that will follow from this increased demand. If the increased demand is not met, of course, then the costs will be lower, but so will be the benefits. In fact, the outcome will be more complex than might be apparent, since, as already explained, demand from Accession Countries will not appear discrete and distinct from demand from home students. This complication is not considered further here.

186. Since students from Accession Countries will in future be equivalent in all respects to students from other EU countries, it is convenient to consider costs and benefits of EU students at present, and then to extrapolate these to draw conclusions for Accession Country students.

Costs

187. At present, the Government, through HEFCE, provides to HEIs core grant for each student recruited[26]. The value of the Government grant varies according to subject, but for EU[27] undergraduate students is approximately £3,750 per student per year on average[28]. Current Government proposals are that from 2006 onwards undergraduate students will pay a fee of up to £3,000[29]. The relevance of this when considering the cost to the UK taxpayer of EU enlargement is that the Government will pay this fee in advance on behalf of all students, including EU students, who will pay it back through their working lives.

188. For the purposes of previous calculations HEPI has estimated that 85 per cent of students will pay the maximum fee, making an average of £2,550 per undergraduate student (85 per cent of £3,000). The Government has estimated that because of the deferred repayments and subsidised interest-rate, it will actually recoup only 58 per cent of the student's apparent liability. This means that £1,070 per person per year of further cost will fall to the Government as a result of the new fee regime. Based on the assumption that average institutional grant will not change after 2006, the total cost to the UK taxpayer will be about £4,800 for each undergraduate EU student (£3,750 institutional grant plus £1,070 in respect of the cost to the Government of the deferred fee).

189. Similar calculations can be done for postgraduates students, though in the case of these there is not the complication of the cost to the Government of deferred fees. The

25 Costs have been calculated based on fee levels in England. However, the method of calculating the costs and benefits of EU students could be applied to other UK systems

26 The funding method for teaching is actually more complex, but in essence and at system level that is what happens.

27 The equivalent figure for UK undergraduates is £4,000 because fewer UK students pay full fee.

28 This is based on UK HEIs receiving approximately £4,500 average resource per student. The cost to the Government is £4,500 minus their up-front fee contribution, which is £750 on average per students for EU undergraduates. This £750 figure is a best estimate based on available data from DfES and HESA.

29 At present students pay £1,125 fee (the Government pays this fee on behalf of a large proportion of students, but this complication will not be relevant after 2006, and so is not considered further here) This section is written in terms of the circumstances that will obtain after 2006 assuming current Government proposals are implemented.

value of the Government grant varies according to subject, but for EU[30] postgraduate students, the total cost to the UK taxpayer is approximately £2,000 per student per year on average[31].

Benefits

190. The most direct benefits[32] arise from the expenses that EU students incur in order to live while studying. Forthcoming research for the British Council has estimated that the average EU student spends between £7,000 and £8,000 per year, and a figure of £7,500 is used here. According to the UNITE/MORI annual Student Living Report (UNITE, (2003)), students spend on average around £3,500 on accommodation and around £1,000 on food, leaving £3,000 expenditure on other purchases.

191. The net value to the UK of the amount spent on food and 'other expenditure' is taken to be 66 per cent[33] of the total, which indicates a net annual economic benefit to the nation of £2,666 arising from these elements of student expenditure (which includes some element of VAT, not specifically considered here). In addition, the whole of the £3,500 spend on accommodation is taken to produce a transfer from the rest of the EU to the UK. So from their living expenditure alone, EU students will provide benefit of something over £6,000 per year to the UK – exceeding the cost to the UK taxpayer by 25 per cent for undergraduates and by 300 per cent for postgraduates.

30 The equivalent figure for UK postgraduates is £2,500 because more UK students receive funding from UK public sources such as the British Research Councils on average (33% of UK postgraduates compared to 16% of EU postgraduates) – although EU students have equal access to such funding.

31 This is based on UK HEIs receiving approximately £4,500 average resource per student. The cost to the Government is £4,500 minus their private up-front fee contribution, which is £2,500 on average per students for EU postgraduates (based on 16% of EU postgraduates receiving funding from public sources, and the HEFCE assumed fee level of £2,950).

32 No account is taken here of the fees paid by EU students, as only the net cost to the Government of the fee regime has been shown.

33 i.e after allowing for the purchase of imports from students of 33% which is likely to be an overestimate.

Table 36 The number of students working in the UK 6 months after graduation as a proportion of those students whose location is known, by country of origin.

	Total number of students with known location	% of stu with known location	% of stu with known location, in UK	% of stu with known location, studying in UK	**% of stu with known location, working in UK**
UK students	200,930	71	97	21	**76**
EU students	12,090	45	56	30	**26**
(EU excluding Greece)	(8,770)	(49)	(54)	(22)	**(32)**
International students	25,090	81	17	10	**7**
Students from the ACs	1,100	84	25	19	**6**
(ACs excluding Cyprus)	(280)	(82)	(22)	(12)	**(10)**

Note: UK students and EU students are from 2001-02 data. International students (including ACs) are from 97-98 data because after this time the FDS stopped collecting information on overseas students. EU student numbers do not include UK students. Internationals student numbers do include students from the ACs. Numbers haves been rounded.

Source: Unpublished analysis of data from First Destinations Survey (HEFCE).

192. Table 36 above shows data from the First Destination Survey, which indicate that approximately 25 per cent of EU undergraduates remain in the UK to work after graduation[34]. It is not known how long EU graduates work in the UK on average. However, it is possible to make reasonable and informed assumptions about UK graduate job characteristics, and there is no reason to suppose that these parameters do not apply equally to EU students working in the UK. It is assumed that on average new graduates remain in their first job for 12 months. In addition, we know from the Association of Graduate Recruiters (AGR) that the average starting salary for graduates is £21,000. Assuming these conditions apply to EU graduates, they will pay something like £3,370 in income-tax in the course of their first job.

193. Some will undoubtedly take second jobs, and for the purpose of this calculation it has been assumed that half will do so, and that the length of tenure of the second job will be the same as for the first. Although these assumptions cannot be verified, they have deliberately been pitched at a modest level. Under these assumptions, the average tax taken from EU students who work in the UK after graduation will be something over £5,000[35]. Since about a quarter do so, that suggests that on average each EU student pays about £1,250 in income tax. With the average length of course around 3.3 years, this means that each EU student on average contributes around £400 in income tax for each year they study. Because of their age, almost all of the tax paid by these graduates will represent net income to the Government, with very little offsetting expenditure.

34 of those EU students whose destination is known.

35 Based on £3,370 income tax contributions in 1st year of working, then half of these graduates staying for a second year and contributing another £3,370 in income tax. On average over 2 years, this group of EU graduates in the UK would contribute approximately £5,000 per graduate.

194. In total, therefore, it is estimated that on average EU students will provide at least £6,400 per year (£6,000 plus £400) of benefit to the UK, compared to the cost of £4,800 for undergraduates and £2,000 for postgraduates. Effectively, in financial terms alone the UK benefits to the tune of £210 million per year from the presence of EU students[36]. In terms of their contribution to GDP, the benefit the UK receives from EU students is very much greater than that, since the average £21,000 annual income of graduates who work implies a net addition to UK GDP of around £0.5 billion per year.

195. In addition, there are substantial other benefits which have not been quantified here, some of which are unquantifiable. In particular, the UK benefits from an addition to its stock of employed manpower of a significant number of highly skilled young people. Given that there is reckoned to be a substantial positive rate of return from investment in higher education, this too represents significant cash benefit. No attempt has been made here to quantify that. Other benefits arise from the contribution of these EU students and researchers within UK HEIs, and from having a significant proportion of the young future elite of Europe living, studying and working in this country for an important and formative period in their lives.

196. This analysis has been carried out in terms of the costs and the benefits to the UK as a whole. It should be noted, however, that the costs arise wholly to the Government, but the benefits are in part private and in part common (via taxation). This may complicate investment decisions by the Treasury, but viewed as a nation, they do not invalidate the conclusion.

Costs and benefits of Accession Country students

197. The same costs and benefits that have been shown above for EU students should apply to Accession Country students. It has been assumed throughout this report that Accession Country students will, perhaps after a period of adjustment, behave in all relevant respects like other EU students. On the basis of the scenarios described above, the following conclusions can therefore be drawn about the costs and benefits of opening our higher education system to Accession Countries.

198. If the number of students from the ACs studying in the UK increases to 20,000 by 2010, the projected cost to the UK taxpayer of students from the ACs, under the new system of fees currently proposed by the Government, will be approximately £75 million. If numbers increase to 30,000 by 2010 the cost will be £115 million.

199. Against these costs, if the number of students from the ACs studying in the UK increases to 20,000 by 2010, then on the same basis as the above calculation for EU students, the gross benefit will be £130 million. If numbers increase to 30,000 by 2010 the gross benefit will be £155 million.

36 Based on EU students currently studying in UK, excluding incoming exchange students. Undergraduate costs based on Government proposals for post 2006.

200. The conclusion of this report is that the balance of the financial costs and benefits of providing for increased numbers of Accession Country students will be significantly positive - by something between £55 million and £80 million per year - without taking into account the very substantial contribution to GDP of those students who work here on graduation - leaving further unquantified, intangible and non-economic benefits to be reaped at no effective cost.

201. There is, though, one unavoidable, one off, cost that will arise: there are about 6,000 accession country students in the UK at present, who pay overseas student fees. From next September their liability will reduce substantially, when they become eligible to pay the home fee only. This will result in lower fee income totalling something like £50 million, and this will be borne by the HEIs currently hosting the students. This will be felt disproportionately at some HEIs but should come as no surprise. This change will have been anticipated for some time and these HEIs should have adjusted for these losses – for example by increasing their share of students from other international markets.

202. Finally, if in the future EU students are given the same access to student support facilities as home students then not only would this have a dramatic effect on demand for UK HE, but the cost of EU students to the UK taxpayer would rise significantly. As a result of the EU's commitment to progress student mobility across Europe, it is possible that this substantial additional cost will have to be considered at some point in the future.

Deferred Fees

203. The Government's ability to recover money owed from EU students is essential to the calculation in this paper. If it fails to do so, then the average cost per student could be increased by as much as £1,480 per year, making a significant difference to the calculations in this section. The Government's proposals for the regime for the payment and collection of undergraduate fees will need to be the same in respect of home and EU students; including 100 per cent deferred payment of fees and a proposed earnings threshold for repayments of £15,000. The proposal is that the Government will pay fees in their entirety on behalf of all students (including EU students) and that they should be repaid through the tax system on an income contingent basis. In the medium term, it is likely that average earnings within the ACs will converge with average EU earnings, but at present average earnings in the Central European ACs are well below this figure.

204. Regardless of average earnings within the ACs, setting up a system for collection of fees across the whole of Europe will be extremely challenging and will require a high level of co-operation with other EU Governments. However, because the UK is the only country proposing a system of deferred fees, the EU does not appear to have recognised the issue of collecting deferred fees across member states as one that needs to be dealt with collectively. In a wide-ranging EU publication about the many barriers to mobility, the collection of fees was not raised (European Commission, 2001).

205. In a letter to The Times Newspaper published on 4 February 2004, the Minister for Higher Education, Alan Johnson, wrote that the Student Loans Company (SLC) was 'developing ways of improving these arrangements (of systems to collect maintenance loan

debt from those who move abroad)'. He said that the SLC was working 'in partnership with other EU states so that by 2009-10 – when the first graduate contributions from EU students will be collected – there is a robust, watertight system in place.' Of course it would be better if there was a clear and 'robust' system in place by 2006-07 so that EU students can know exactly what arrangements they are entering into with the SLC. If a system of collection was set up by 2006-07 this would also allow the Government to collect deferred fee payment from students that drop out after their first year of study, and students taking 2 year Foundation Degrees. It is certainly true that the most important thing is to ensure that a 'robust, watertight system is in place' by the time it is needed.

Annex A

Projecting the nature of demand from ACs

206. If there is an increase in demand for UK HE from the ACs it is important to consider the likely nature of such demand in terms of student characteristics and the possible impact on supply and demand of HE in the UK.

Level of study

207. As shown in section 1 of this report, table 37 shows that there has been a slight decline in the overall number of students coming in to the UK from the EU. However, this decline is the result of a decline in the number of students coming in to the UK from the EU 12 countries only – in particular from Greece and the Republic of Ireland.

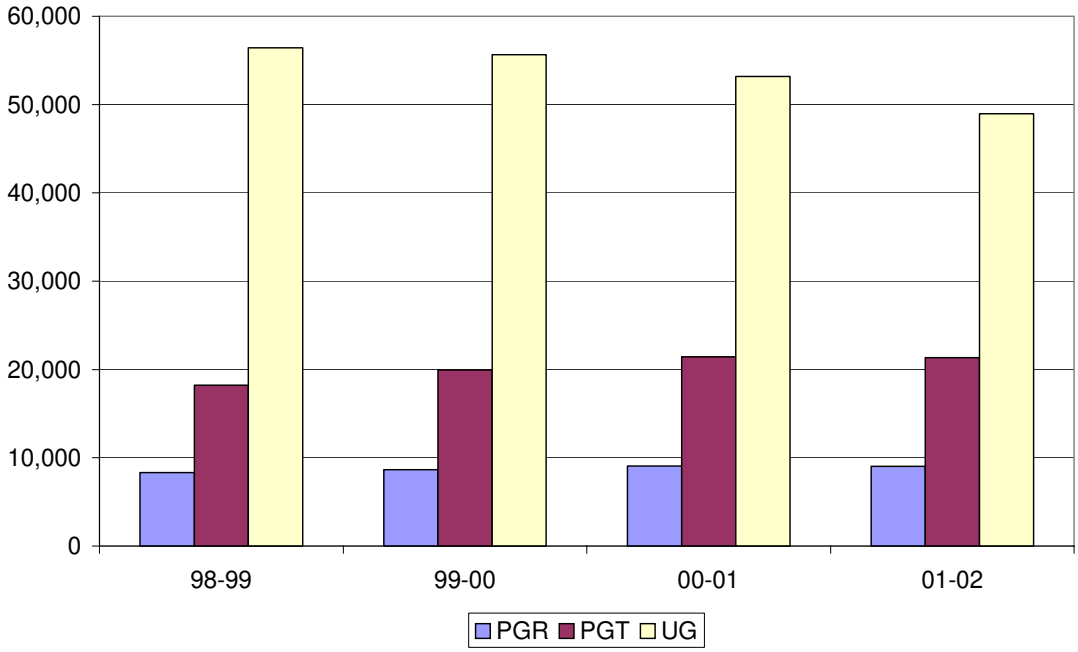
Table 37 Number of students in the UK from EU countries and Accession Countries 98-99 to 01-02

	98-99	**99-00**	**00-01**	**01-02**
EU 15	82,970	84,230	83,700	79,320
(EU 12)	(77,110)	(77,870)	(77,000)	(72,980)
('95 EU)	(5,860)	(6,360)	(6,700)	(6,340)
ACs	4,800	5,200	5,670	5,800

Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. EU 15, EU 12, '95 EU, and AC countries listed in Annex B. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students. Totals may vary due to rounding.

208. Figure 38 shows that the decline has been in UG students – the largest part of the market for UK HE from the EU. Demand for post-graduate taught and Post-graduate research HE has continued to increase from 98-99 to 01-02.

Figure 38 EU 15 students in the UK by level of study 98-99 to 01-02



Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. EU 15 countries listed in Annex B. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students.

209. The growth in demand from the ACs and the '95 EU countries has largely been a growth in demand for postgraduate HE. The largest percentage increase was amongst postgraduate taught students from the Accession Countries and amongst postgraduate research students from the '95 EU countries (both increased by approximate 35 per cent from 98-99 to 01-02 although from small bases in terms of actual number of students). For both the Accession Countries and the '95 EU countries the number of undergraduate students in the UK was the smallest increase in terms of percentage change – however, undergraduate numbers still increased by around 12 per cent and 5 per cent respectively from both groups of countries.

210. Table 39 demonstrates that the majority of EU students coming into the UK are undergraduates – especially from the '95 EU countries where undergraduates represent 76% of students coming into the UK. Demand for postgraduate HE makes up a slightly higher proportion of demand from the Accession Countries than it does EU countries. Indeed, the ratio of undergraduates to postgraduates from Accession Countries (56:44) is much more similar to the ratio that exists from international students in general (approximately 50:50[37]) – and this is not surprising as AC students in the UK are still international students until September 2004.

37 HESA published figures 99-00.

211. The difference in the proportion of undergraduates from existing EU countries in comparison to international students, suggests that joining the EU is likely to have a more significant impact on undergraduate demand than postgraduate demand from the Accession Countries. It is reasonable to assume that the proportion of undergraduates from Accession Countries will increase to become more similar to other EU countries over time.

Table 39 EU students and students from the AC studying in UK HEIs by level of study, 2001-02

	EU 12		**95 EU**		**ACs**	
	No of stu	%	No of stu	%	No of stu	%
Undergraduate	44,170	61%	4,800	76%	3,250	56%
Postgraduate - taught	20,180	28%	1,130	18%	1,810	31%
Postgraduate - research	8,630	12%	410	6%	740	13%
Total	**72,980**	**100%**	**6,340**	**100%**	**5,800**	**100%**

Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. EU 12, '95 EU, and AC countries listed in Annex B. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students. Totals may vary due to rounding.

Subject of study

212. Table 40 shows that the subjects demand by existing EU students, the joining '95 EU countries, and existing demand from the accession countries are very similar indeed. The exception is the high level of demand for studying 'Education' for students from the Accession Countries (2nd most popular subject compared to being the 12th most popular subject amongst the EU 12). Generally speaking however, the subjects demanded are very consistent. Because of this level of consistency, it is reasonable to project that any additional demand from the accession countries will be of a similar pattern to that shown in Table 40 in terms of the subject demanded.

Table 40 10 most popular subjects studied by EU students, and students from the ACs, in the UK, 2001-02

EU 12	**No of stu**	**95 EU**	**No of stu**	**Accession Countries**	**No of stu**
Business & admin	11710	Business & admin	1290	Business & admin	1190
Engineering & tech	10980	Creative arts & des	970	Education	610
Soc, Econ and Pol	6560	Soc, Econ and Pol	740	Soc, Econ and Pol	490
Combined	5180	Combined	570	Law	470
Languages	5030	Languages	380	Engineering & tech	430
Subj allied to med	4750	Engineering & tech	370	Combined	380
Creative arts & des	4310	Biological sciences	340	Languages	360
Biological sciences	4050	Computer science	260	Creative arts & des	360
Computer science	3750	Law	240	Computer science	280
Physical sciences	2860	Librarianship & info	230	Subj allied to med	230

Note: Only the top 10 most popular subjects have been listed in this table.

Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. EU 12, '95 EU, and AC countries listed in Annex B. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students. Numbers have been rounded.

Type of UK institution attended

213. Table 41 shows the type of institutions attended in the UK by EU students, the joining '95 EU countries, and students from the accession countries are very similar indeed. The ranking of demand for the different types of HEIs is identical across these types of students.

Table 41 Type of UK institutions attended by EU students and students from the ACs, in the UK, 2001-02

	EU 12		**95 EU**		**ACs**	
	Rank	No of stu	**Rank**	No of stu	**Rank**	No of stu
pre-92 universities	**1**	28620	**1**	2390	**1**	3240
post-92 universities	**2**	23910	**2**	2090	**2**	1740
HEIs in Scotland / Wales/ NI	**3**	14300	**3**	880	**3**	410
General College	**4**	3230	**5**	340	**4**	210
Specialist Colleges	**5**	2920	**4**	640	**5**	200
Total no. of students		72980		6,340		5,800

Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. EU 12, '95 EU, and AC countries listed in Annex B. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students. Totals may vary due to rounding.

214. However, it is interesting to notice the different proportions of students across different types of institutions within these rankings. Table 42 shows that a much higher proportion of students from the Accession Countries go to pre-92 HEIs at present in comparison to EU students (56% compared to 39% respectively). This is not surprising, because AC students are still international students at present and as such are likely to have similar demand patterns to other international students. A higher proportion of International students study at pre-92 HEIs than EU students.

Table 42 Proportion of EU students and students from the Accession Countries that attend different types of HEIs in the UK, 98-99 to 01-02

	EU 15	ACs
pre-92 universities	39%	56%
post-92 universities	33%	30%
HEIs in Scotland / Wales/ NI	19%	7%
General College	5%	4%
Specialist Colleges	4%	3%
Total no. of students	100%	100%

Note: 95 EU students have been together with EU 12 students within EU 15 because the proportions were very similar across type of institution attended.
Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. EU 15 and AC countries listed in Annex B. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students.

215. If the patterns of demand from students from the ACs become more like EU students once they join the EU, then it is likely that a reduced proportion of students will be studying at pre-92 HEIs. This does not necessarily mean that a reduced number of students will attend pre-92 HEIs of course.

216. Figure 43 and 44 below illustrate that the changes are most likely to be amongst the undergraduate population. Patterns of demand in terms of the type of institution attended are very similar for postgraduate students from the EU 15 as they are postgraduate students from the ACs. The majority of postgraduate students attend pre-92 HEIs, with a higher proportion of postgraduate taught students at post-92 institutions than postgraduate research students – changes towards patterns of demand more similar to EU 15 students will not cause any change in this pattern of demand. Figures 43 and 44 demonstrate that the different patterns in demand occur at the undergraduate level. At present the majority of undergraduates for the ACs study at pre-92 HEIs. However, if their patterns of demand become more similar to EU 15 students once they join the EU then it is likely this will change over time and the majority of undergraduates from these countries will eventually study at post-92 HEIs.

Figure 43 Demand from Accession Countries by type of institutions and level of study

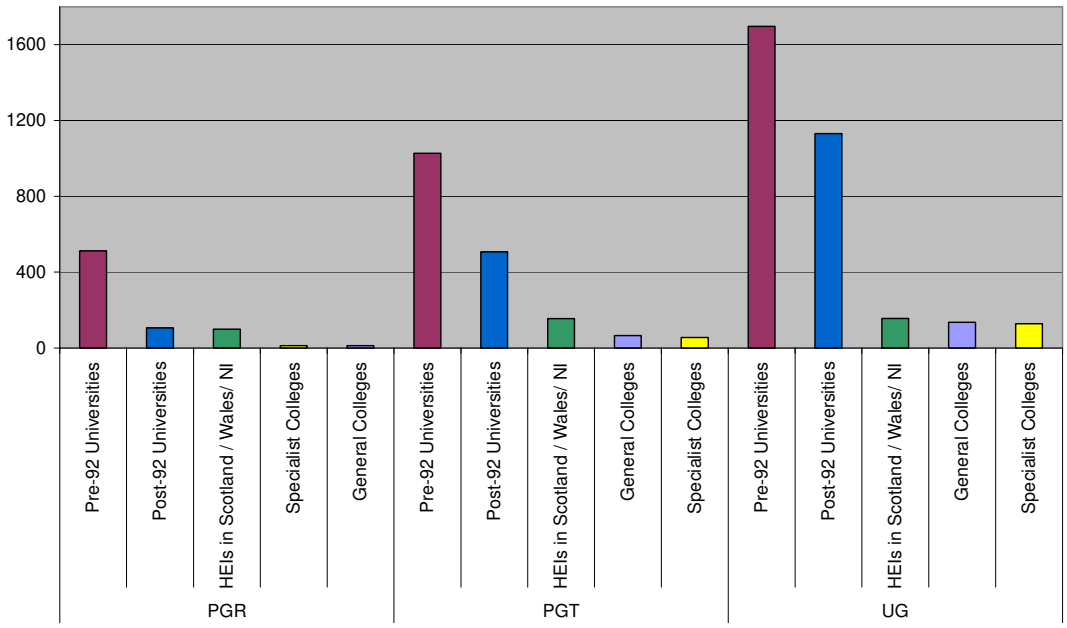
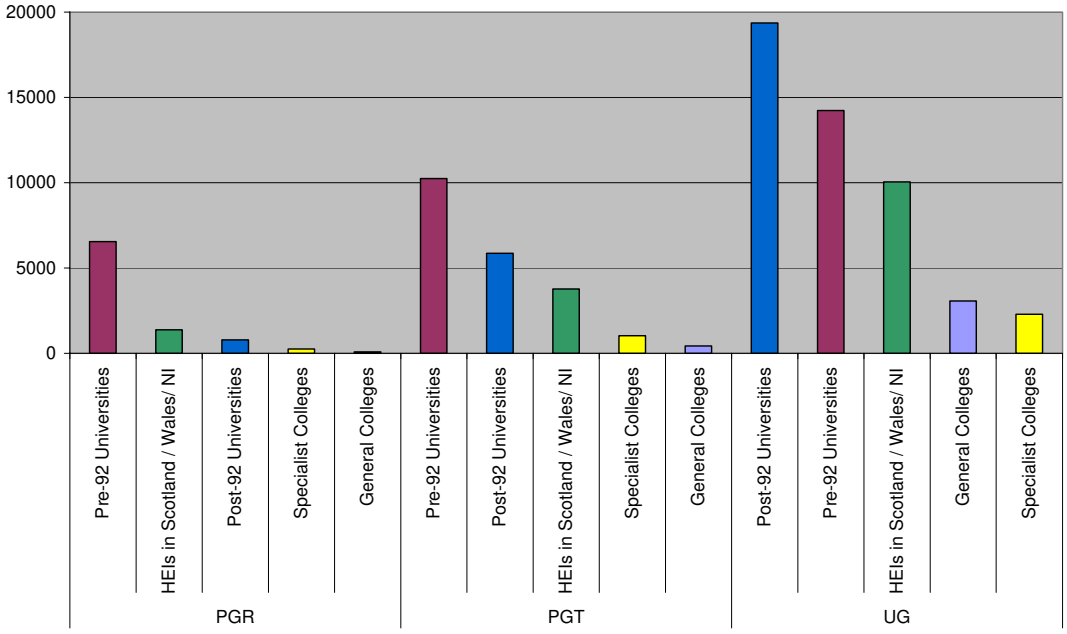


Figure 44 Demand from EU 15 by type of institution and level of study

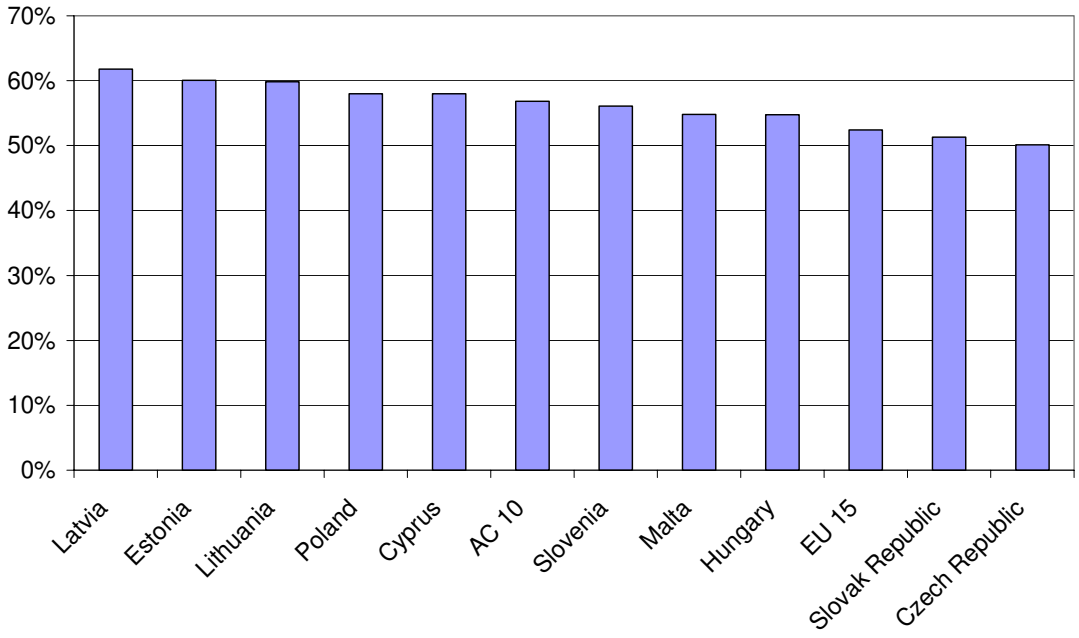


Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. EU 15 and AC countries listed in Annex B. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students.

Proportion of females

217. Finally, it is important to note that the majority of HE students (52%) in the EU are female. Figure 45 shows that the majority of HE students in each of the ACs are female and on average, there is a higher proportion of female students in the ACs than in Europe at present. If an increasing number of students come into the UK from the ACs, it is likely to further increase the high proportion of female students in the UK.

Figure 45 The proportion of female HE students in the Accession Countries, 2001



Source: Eurostat, Table cedu01cc 'Pupils and students by level of education – candidate countries'. HE is defined as ISCED level 5 and 6.

Annex B

Students coming into the UK from the EU and Accession Countries by mode and level

EU 12, 01-02

	FT			FT Total	PT			PT Total	Grand Total
Country	**PGR**	**PGT**	**UG**		**PGR**	**PGT**	**UG**		
Greece	1710	7770	12550	22040	540	1400	1130	3070	25100
Irish Republic	530	1160	6920	8610	330	1480	1390	3200	11810
Germany	1050	1450	5450	7960	440	550	570	1560	9510
France	820	1790	4780	7400	190	310	620	1120	8520
Spain	490	820	2800	4100	120	290	480	880	4990
Italy	890	760	1860	3510	290	330	250	870	4380
Portugal	420	240	1030	1700	100	150	90	350	2050
Belgium	150	280	1290	1710	70	130	80	280	2000
Netherlands	160	370	820	1350	90	330	100	520	1870
Denmark	120	290	800	1220	30	110	60	210	1420
Luxembourg	30	80	510	620	10	20	20	60	680
Gibraltar	10	40	530	580	10	40	30	70	650
Grand Total	**6400**	**15060**	**39340**	**60800**	**2232**	**5130**	**4830**	**12190**	**72980**

95 EU, 01-02

	FT			FT Total	PT			PT Total	Grand Total
Country	**PGR**	**PGT**	**UG**		**PGR**	**PGT**	**UG**		
Sweden	120	340	2450	2910	50	280	140	480	3390
Finland	90	200	1440	1730	30	80	120	240	1970
Austria	80	190	570	850	30	50	60	140	980
Grand Total	**300**	**730**	**4470**	**5490**	**110**	**410**	**330**	**850**	**6340**

EU 15 Grand Total	**6690**	**15790**	**43810**	**66290**	**2340**	**5540**	**5150**	**13030**	**79320**

ACs, 01-02

	FT			FT Total	PT			PT Total	Grand Total
Country	**PGR**	**PGT**	**UG**		**PGR**	**PGT**	**UG**		
Cyprus	180	670	2250	3100	90	330	130	550	3650
Poland	100	100	230	430	20	50	70	150	580
Malta	40	60	60	160	70	140	20	230	390
Hungary	60	50	80	190	20	100	20	140	330
Czech Republic	30	50	110	200	10	20	20	60	250
Slovenia	30	20	20	70	10	70		80	150
Slovak Republic	20	30	50	100	10	10	10	30	130
Latvia		20	70	90		20	10	30	120
Lithuania	10	20	50	80	10	20		30	110
Estonia	20	20	30	70		10	20	30	100
Grand Total	**490**	**1050**	**2940**	**4480**	**250**	**760**	**310**	**1320**	**5800**

Source: HEFCE analysis of HESA data for all HEIs in the UK, using 1 December census population, 2001-02. Excludes students who were recorded as 'writing up'. Excludes incoming exchange students. Totals may differ because of rounding. Numbers under 10 have been excluded.

Annex C

Erasmus student mobility 1997-98: total number of students

		Country of host institution																	
		BE	**DK**	**DE**	**GR**	**ES**	**FR**	**IRL**	**IT**	**LUX**	**NL**	**AT**	**PT**	**FIN**	**SWE**	**UK**	**IS**	**NO**	**TOTAL**
Country	**BE**		93	445	51	691	714	171	306		500	100	89	141	171	706	5	50	**4233**
of home	**DK**	59		266	6	218	273	63	77		104	67	16	23	34	543	7	39	**1795**
institution	**DE**	283	227		160	1941	2813	663	1096	1	664	212	127	369	761	4259	17	192	**13785**
	GR	88	19	197		169	248	23	123		89	38	35	41	46	300		15	**1431**
	ES	696	313	1719	130		2687	370	1525		760	185	386	181	310	3098	19	89	**12468**
	FR	225	190	2374	160	2574		786	753	3	561	230	213	277	410	5953	4	108	**14821**
	IRL	87	14	402	12	181	533		77		81	36	13	32	13	79	2	2	**1564**
	IT	454	186	1375	113	2035	1798	192			448	250	221	176	240	1673	13	97	**9271**
	LUX			5	1	9	21	3	3			10	2	1	2	8		1	**66**
	NL	245	105	460	44	585	568	126	137			76	53	182	349	1173	6	81	**4190**
	AT	71	71	169	32	339	403	79	321	4	121		44	62	140	533	9	44	**2442**
	PT	121	29	205	14	340	324	32	194		137	28		32	46	317		15	**1834**
	FIN	111	37	618	85	194	267	103	110		344	126	39		57	947	2	12	**3052**
	SWE	131	26	663	32	264	520	99	82		308	160	12	17		917	5	28	**3264**
	UK	259	182	1860	149	1706	3883	88	818		684	176	111	294	303		5	64	**10582**
	IS	7	16	20	1	14	8	1	2		13	8		3	9	11			**113**
	NO	25	55	185	21	132	132	24	43		108	39	20	14	25	248			**1071**
	TOTAL	**2862**	**1563**	**10963**	**1011**	**11392**	**15192**	**2823**	**5667**	**8**	**4922**	**1741**	**1381**	**1845**	**2916**	**20765**	**94**	**837**	**85982**

Erasmus students from the Accession Countries - mobility 2001-02: total number of students by country

		Host country														
		BE	**DK**	**DE**	**GR**	**ES**	**FR**	**IRL**	**IT**	**LUX**	**NL**	**AT**	**PT**	**FIN**	**SWE**	**UK**	**Total**
Country of	**CZ**	93	56	739	49	196	334	29	118	2	128	143	114	155	103	274	**2533**
home	**EE**	5	13	41	5	8	31	3	12	0	15	15	3	89	23	11	**274**
institution	**CY**	4	0	1	27	8	17	0	2	0	0	0	0	7	2	4	**72**
	LV	14	10	82	1	5	9	3	2	0	10	4	4	22	28	15	**209**
	LT	43	95	207	8	40	44	10	51	0	23	24	40	110	109	19	**823**
	HU	94	43	460	37	120	223	7	189	0	121	94	34	152	50	112	**1736**
	MT	7	6	10	0	1	10	5	49	0	10	2	2	3	3	21	**129**
	PL	230	197	1393	96	319	624	50	304	0	243	73	152	188	192	262	**4323**
	SL	22	14	89	6	28	40	3	46	0	15	42	15	12	18	14	**364**
	SK	42	4	175	19	56	70	1	42	4	26	43	18	45	10	23	**578**
	Total	**554**	**438**	**3197**	**248**	**781**	**1402**	**111**	**815**	**6**	**591**	**440**	**382**	**783**	**538**	**755**	**11041**

AT Austria, BE Belgium, BG Bulgaria, CY Cyprus, CZ Czech Republic, DE Germany, DK Denmark, EE Estonia, ES Spain, FI Finland, FR France, GR Greece, HU Hungary, IE Ireland, IS Iceland, IT Italy, LI Liechtenstein, LT Lithuania, LU Luxembourg, LV Latvia, MT Malta, NL The Netherlands, NO Norway, PL Poland, PT Portugal, RO Romania, SE Sweden, SI Slovenia, SK Slovak Republic, UK United Kingdom.

Source: Erasmus student mobility 2001, SCHE/03/07 – Annex, from http://europa.eu.int/comm/education/programmes/socrates/erasmus/statisti/stat14.pdf

Annex D

European Areas of Higher Education and Research

(provided by the Association of Universities and Other Higher Education Institutions in Germany (HRK International) http://www.hrk.de/e/41.htm)

218. In May 1988 the Ministers of Education of France, Italy, Great Britain and Germany signed in Paris the so-called Sorbonne Declaration on the creation of a common framework for the European higher education systems. Other countries later joined the declaration.

219. The Sorbonne Declaration aims in particular at:

- Increasing the convergence of general framework conditions for study programmes and degrees within an open European higher education area
- Creating a joint system of degrees (Bachelor, Master, Doctor)
- Increasing and facilitating the mobility of students and professors (students should spend at least one semester abroad)
- Removing obstacles to mobility and improving recognition of academic degrees and achievements.

220. These reform measures met with great interest everywhere in Europe. Therefore the Ministers of Education of 29 European states signed in June 1999 the so-called Bologna Declaration on the creation of a European Higher Education Area by the year 2010 and on the strengthening of Europe as a centre for higher education on a global scale.

221. In the Declaration the Ministers confirmed their commitment to realise the following objectives:

- The creation of a system of easily readable and comparable degrees
- The creation of a degree system structured in two cycles, undergraduate and graduate
- The introduction of a credit point system (like ECTS)
- The promotion of mobility by removing obstacles
- The strengthening of European cooperation in Quality Assurance
- The promotion of a European dimension in higher education.

222. Convinced that the creation of a European Higher Education Area required the continuing support, monitoring and adjustment to the changing circumstances, the Ministers decided to meet again two years later in Prague to review what had been achieved by then and decide on the next steps to take.

223. At their meeting on 19 May 2001 in Prague the Ministers of Education of – by then – 33 European states signed the so-called Prague Communiqué. In it:

- They confirmed the objectives of the Bologna Declaration

- Welcomed the active participation of the European University Association (EUA) and the National Unions of Students in Europe (ESIB)
- Mentioned the constructive role of the European Commission
- Commented on the further proceedings regarding the different goals of the Bologna Declaration
- Underlined the specific importance of the following aspects of a European Higher Education Area:
    - Life-long learning
    - Involving the students
    - Increasing the attractiveness and competitiveness of the European Higher Education Area (including transnational education)

224. The Ministers decided to have the next follow-up meeting to the Bologna Conference in Berlin in 2003. This meeting will provide another opportunity to assess what has been achieved by then and to define the next priorities for the creation of a European Higher Education Area for the following years.

225. The Conference of the European Higher Education Ministers will take place in Berlin on 18/19 September 2003. Detailed information on the Bologna Process and the Berlin Conference can be found under www.bologna-berlin2003.de

226. Inspired by the idea of a European Higher Education Area the European Commission developed the concept of a European Research Area a few months later. This was based on the analysis that European top research centres, although internationally competitive, were dispersed across the continent and often linked in inadequate ways. This means that they can frequently not benefit from synergy effects that could be derived from a better coordination and tuning of their activities.

227. The EU Commissioner for Research Busquin therefore considered the time right to go beyond the regular EU framework programmes for research: by further coordination and tuning of research activities it should be possible to create an equivalent to the common market for goods and services.

228. Such a network, called the European Research Area, implies the concentration of all the EU activities that support research and the convergence of the research and innovation policies of the member states and the European Union.

229. Presently the EU Commission is discussing ways of better linking the two concepts of the European Higher Education Area and the European Research Area. The results of these discussions will be taken into account in the preparation of the Berlin Conference in 2003. One obvious point of contact between the two projects is the doctoral phase in European higher education. Several proposals for the creation of structured doctoral studies in the member states, the increase of mobility of doctoral students and the creation of European doctoral degrees have so far been presented and are being discussed. For more information on the European Research Area see http://europa.eu.int/comm/research/era/index_en.html

Basic indicators

	Land area, km² 2002	Average population in 1000 2001	Unemployment rate in % 2002	Inflation rate in % 2002	GDP per capita in PPS 2001	Exports of goods & serv. in % of GDP 2001
Belgium	30 538	10 285	7.3	1.6	25 260	85
Czech Republic	78 866	10 283	7.3	1.4	13 700	71
Denmark	43 094	5 359	4.5	2.4	26 660	45
Germany	357 031	82 350	8.2	1.3	24 000	35
Estonia	45 227	1 364	9.1	3.6	9 240	91
Greece	131 957	10 582	10.3	3.9	15 020	23
Spain	505 124	40 266	11.4	3.6	19 510	30
France	549 087	59 191	8.7	1.9 p	23 870	28
Ireland	70 295	3 854 e	4.4	4.7	27 360	98
Italy	301 338	57 075	9.1	2.6 p	23 860	28
Cyprus	9 251	762 e	5.3	2.8	17 180 p	47 e
Latvia	64 589	2 355	12.9	2.0	7 750	45
Lithuania	65 300	3 478	13.1	0.4	8 960	50
Luxembourg	2 586	442	2.4	2.1	44 160 p	152
Hungary	93 030	10 188 e	5.6	5.2	12 250	61
Malta	316	393	7.5	2.2 1)	:	88
Netherlands	35 518	16 046	2.6	3.9 p	26 670	65
Austria	83 858	8 130	4.1	1.7	25 740	52
Poland	312 685	38 638	20.0	1.9	9 410	28
Portugal	91 916	10 299	5.0	3.7	16 059	31
Slovenia	20 273	1 992	6.0	7.5	16 210	60
Slovak Republic	49 035	5 397	19.4	3.3	11 200	73
Finland	338 150	5 188	9.1	2.0	24 170	40
Sweden	449 974	8 896	4.9	2.0	23 700	45
United Kingdom	244 101	60 004 e	5.1	1.3	23 530 p	27
EU-15	**3 234 568**	**377 850**	**7.5**	**2.1** p	**23 210**	**36**
Acc. Countries	**738 572**	**74 850**	**15.1**	**:**	**10 700** 2)	**47**
Bulgaria	110 910	7 910	18.6	5.8	5 710	56
Romania	238 391	22 408	8.0	22.5	5 560	34
Turkey	769 604	68 670	10.4	32.2 1)	5 230	34

1) Malta and Turkey are not harmonised, for Malta: Maltese Retail Price Index.
2) without Malta

source: http://europa.eu.int/comm/enlargement/docs/pdf/eurostatapril2003.pdf

Bibliography

Dennis and Guio, 2003, 'Monetary poverty in EU Acceding and Candidate Countries', Eurostat, Statistics in focus, Population and social conditions, Theme 3 – 21/2003.

DfES, 2004 'Higher education funding – international comparisons', Department for Education and Skills.
http://www.dfes.gov.uk/hegateway/uploads/HEfunding_internationalcomparison.pdf

DfES, 2003, 'The future of Higher Education' White Paper on Higher Education, Department for Education and Skills. http://www.dfes.gov.uk/highereducation/hestrategy/

European Commission, 2002, '2002 Regular report on Poland's progress towards accession', SEC(2002) 1408. http://europa.eu.int/comm/enlargement/report2002/pl_en.pdf

European Commission, 2001 'Passport to mobility, Learning differently, Learning abroad', http://europa.eu.int/comm/publications/booklets/move/29/txt_en.pdf

European Commission, 2000, 'Survey into the socio-economic background of Erasmus students', The European Commission, Directorate General for Education and Culture, 2000.
http://europa.eu.int/comm/education/programmes/socrates/erasmus/survey_en.pdf

Eurydice, 2000, 'Key Data on Education in Europe, 2002' European Commission, Eurydice, Eurostat. http://www.eurydice.org/Documents/cc/2002/en/CC2002_EN_home_page.pdf

HEFCE, 2001 'Supply and Demand in Higher Education', Higher Education Funding Council for England, publication 01/62 http://www.hefce.ac.uk/Pubs/hefce/2001/01_62.htm

HEFCE 2002 unpublished, 'HE participation 1995-1999: initial findings,' Higher Education Funding Council for England.

HEFCE, 2002 'Higher Education Students Early Statistics Survey 2002-03', Higher Education Funding Council for England, publication 02/40
http://www.hefce.ac.uk/Pubs/hefce/2002/02_40.htm

HEFCE, 2003 'Funding higher education in England, how HEFCE allocates its funds', Higher Education Funding Council for England, publication 03/29
http://www.hefce.ac.uk/Pubs/hefce/2003/03_29.htm

HEPI, 2003a, 'Higher Education Supply and Demand to 2010', Higher Education Policy Institute, Libby Aston. http://www.hepi.ac.uk/articles/

HEPI, 2003b, 'Demand for Graduates: a review of the economic evidence', Higher Education Policy Institute, Libby Aston and Bahram Bekhradnia http://www.hepi.ac.uk/articles/

Long, B (2003) 'How have college decisions changed over time? An application of the conditional logistic choice model,' Harvard Graduate School of Education.

MORI, 2000, 'Through other eyes 2: how the world see the United Kingdom', MORI, http://www.britishcouncil.org/work/survey/index.htm

OECD, 2002, 'Education at a Glance', Economic Indicators 2002, Organisation of Economic Co-operation and Development.

OECD, 2004 'OECD economic survey of the UK: graduate contributions for higher education', an excerpt of the OECD economic survey of the UK, 2004, from the section on raising skills in chapter 4 together with Annex D.A1, Organisation of Economic Co-operation and Development. http://www.oecd.org/dataoecd/50/25/24834806.pdf

Prague, 2001, 'Towards the European Higher Education Area, Communique of the meeting of European Ministers in charge of Higher Education', in Prague on May 19th 2001. http://europa.eu.int/comm/education/prague.pdf

Socrates Programme, 1996, 'Student mobility within the European Union: A statistic analysis' http://europa.eu.int/comm/education/programmes/socrates/erasmus/statisti/intro_en.html

UNITE, 2003 'Student living report', commissioned by Unite and conducted by MORI. http://www.unite-students.com/a.asp?page=opg&page_area_id=7

UUK, 2003 'Survey of tuition fees for International Students, 2003-04'. Universities UK http://www.universitiesuk.ac.uk/statistics/fees/survey03-04.asp