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Universities in a Global Context: How is Globalisation Affecting Higher Education?

Professor Sir Drummond Bone:

I'm going to start by speaking about three things I'm not going to be speaking about. The first is that I don't want to get entangled in a debate about the difference between internationalisation and globalisation. We know there is a difference. The only thing I would want to leave in your minds is that what I advocate by way of internationalisation (both in the paper for John Denham and en passant this morning) might be considered quite close to globalisation. So there is a drift, as it were, from one to the other.

I think Malcolm may say a word or two about regulation, but that is the second thing I'm not going to be talking about - except to say that the regulatory environment is absolutely crucial, and by regulatory environment I include everything from Bologna at one end of the spectrum, to overt regulation at the other, such as India not allowing for-profit outside providers into the country. So there's a wide spectrum under the term 'regulation'. Some of it, of course, masquerades as quality control, perhaps straightforward academic quality control, but perhaps also control of cultural difference, which might be masquerading or it might be genuine. It might be a good thing or it might be a bad thing. Clearly, given what's happening globally, regulation is going to play a very noticeable part in the debate over the next few years. Whether it's banks not lending to countries other than their own, or people in Spain being encouraged to buy Spanish goods, we're into a period where whatever you want to call it - protectionism, looking after yourselves, regulation - is going to be important and will add to what I mainly want to talk about, which is instability.

The last thing I'm not going to say very much about, but which is absolutely key, is the research environment. Research is already in some ways the most globalised of university activities. I mean, one only has to think of the World Wide Web. There is already some quasi-global funding in support of research. It doesn't come from all corners of the globe, but it does come from a fair spread of countries around it. The one thing I would like to drop into the pond is that the funding of research and the way we conceal the funding of research could be blown wide open by a GATS agreement on opening research trade and services. Now that's not going to happen next week, clearly, not in the current environment, but don't bet against it in 5-10 years. We have to keep an eye on that possibility.

What I want to spend my time talking about is instability, and our reactions to it. There's instability in all kinds of global areas at the moment, one scarcely needs to say that. We don't know what's going to happen next. When preparing my paper for John Denham, I began thinking about the issues in June and July, and instability was already a key theme even then. When I actually started to write and deliver it in September/October, instability had become the only thing in the newspapers, on the web, on the radio. It's going to affect university markets - student markets, research markets, the market in faculty and staff - radically over the next few years.

Let's pick the student one to kick off with. I think we've all got used to the last 15 years of UK growth in an international market for students. That growth took place during a time of unprecedented financial stability and growth in global markets generally. One of the interesting things that we've seen in the recent British Council Economist study of three markets is the link between bi-lateral trade and educational trade. But that link is only proven one way round at the moment – that is, if you have strong bi-lateral trade you will have strong educational trade. Unfortunately from our point of view, it is not provable the other way round. It would be very nice if it was. But, the point is, the last 15 years have been really rather unusual.

It's strange, I think, to see how naïve and simplistic some of the demographic studies were - the projections that were made in the British Council 2020 study spring to mind. They didn't take into account any other variables, only demography, and that was simply never going to work. The Economist study which I've just referred to notes that the global market is very much more price-sensitive than we had assumed it would be. This is an instability in the system, it is extremely price-sensitive and therefore of course currency sensitive. The other very interesting thing – it's not been made a lot of, but I know that the people who are doing the research consider it very significant – is that a critical development point has been identified. Expanding wealth in developing countries expands their contribution to the “trade” in international students, but only up to a point. There comes a point where further expansion of wealth ceases to increase the trade in international education, and ceases to increase student movement. It seems that the country becomes sufficiently self-confident. Sufficient numbers have been abroad and have come home, the country's own capacity has developed, and the attraction of overseas education is no longer as great as it was. So there is, in mathematical terms, a kind of crisis in the graph. We cannot make the assumption that increasing wealth in developing countries will increase their contribution to the international student trade. It just doesn't work like that. If we're thinking simply in terms of the UK, there is strong evidence that there will be a move to greater part-time provision, and there is no reason not to assume that that might happen elsewhere too.

Price sensitivity, as we've said, can work two ways. At the moment it looks like it's working in our favour, but that just underlines its importance. What it might do for the UK is give us a window of opportunity to look more seriously at international strategy.

So what do we do in the face of this instability? Well, I suppose one thing is don't plan recurrent spend on unrealistic income - I'm beginning to sound like David Eastwood, my apologies for that, but it is a very obvious thing to say. The fall in the pound will no doubt actually increase our competitiveness. What I'm suggesting is, that money should actually be used, not simply put into the general pot. It should be used to fund things which we could do to benefit the long term position and give us long term stability. These things will - as most initiatives will - cost quite a bit of money.

My advice - and this is where I say internationalisation seems to move into globalisation - is to lock into partnerships. Now, how do you do that? Well, if you're going to have a partnership you've got to give something in return: I think a lot of us try to forget it, but partnerships are not a one-way street. If that giving is student

movement from the UK outwards (which is a good thing in itself no doubt) that's quite difficult in the context of the English three year degree which is very, very tight. Things are a bit easier in Scotland with the four year degree. If you're not thinking about academic student movement, you might be thinking in terms of internships overseas, placements overseas, but all of it, of course, has got to be managed. This is the recurrent theme - you have to have the capacity to manage partnerships. Partnerships (and even more so networks) which aren't explicitly managed are a disaster. They have a high opportunity cost and they don't deliver. So if a partnership is going to work, you have actually got to put capital into it, and you've got to think about that *before* you go down that road.

The more complex the partnership, the more stable it's likely to be. What I mean by complex is a partnership based not just on student movement, but also on faculty movement, sharing administrative expertise, and research. The more involved institutions can become with each other on different planes, the more stable their relationship is likely to be. But, equally, the more difficult it is to manage.

Networks, rather than bi-lateral partnerships, are more stable still because they're more flexible year on year. There's no reason why a partnership itself has to be absolutely symmetrical but, by and large, both sides need to gain from it so there does need to be a kind of symmetry. In networks you can allow asymmetry of movement or co-operation from year to year. Where one institution isn't doing so well in one area, another one will be doing better, and around the circle it all evens out. But again, networks require management and any of the university networks (the World University Network, Universitas 21, etc) know that - I was going to say to their cost, but also to their benefit.

Partnerships or networks have to be carefully constructed. One has to look very carefully at the branding match. One has to bear in mind as well that institutions will be looking for a bit of dependency from their partners because that can ensure a sense of stability. That's another advantage of a network, because you can pass the dependency buck around the network. Each institution will have a slightly different relationship to each other institution - different pecking orders, if you understand what I'm driving at there - whereas in bi-lateral partnerships each institution will want the other one in some way to be the dependent institution. A lot of our bi-lateral relationships at the moment are very obviously dependent, which is not long term stable.

A number of UK universities have introduced the for-profit sector into their network, sometimes in a very simple way by providing a particular service. But there are other more complex possibilities present as well and the key thing to think about here is that the for-profit sector may be able to provide not only the capital, but the management capacity which is lacking in our own institutions. We mustn't underestimate that management capacity. In some ways, that's the take-home message.

If we were simply talking about competitiveness and the student market, there are many things we could do to improve our offer and improve our service, but that's I think for another day. The key message I tried to present to the government, and I think we should all bear this in mind, is that we have to enter into this believing that, through collaboration and partnership, we can improve the global offer on higher

education, and, through improving higher education globally, we improve the standard of life of everybody around the world. That, I think, has got to be the pitch.

Thank you.

Bahram Bekhradnia:

Thank you Drummond for that very disciplined 15 minutes.

Professor Malcolm Gillies:

Thank you very much Bahram, and thank you to the Higher Education Policy Institute and also to Blackboard for the opportunity to speak today. If you feel that I'm suffering from uncontrolled vowel movements, please bear with me. I've been in the country for 1½ years now, and people tell me that my pure Australian vowels are being corrupted by the local twang and I find them coming out in very strange ways. So I apologise for that if I seem to produce a kind of global articulation as I speak my sentences. I'd also like to add that everything I'm going to say you already know about. It's just the particular way we package these ideas together and sell them on with various degrees of fear or security. I intend to become a little bit more theoretical in talking about some issues of globalisation, and towards the end I want to touch on some things I see happening right now, which may be pointers as to where we may be in terms of student recruitment come September.

Massification, privatisation and globalisation do seem to go hand in hand, at least they have been doing so in the last ten or twenty years in higher education. Massification might be described as a move towards a majority of citizens undertaking some form of higher education. Privatisation is an increasing push of the costs onto the student, or maybe the introduction of more private providers into higher education. Globalisation is the move towards more integrated educational markets and a general freer trade.

It has been observed in a lot of the literature that massification and privatisation are perhaps more steady than globalisation, where we seem to be lagging behind. Thomas Friedman identified three requirements for globalisation, and higher education does seem to fail all three. We seem to be caught in an opportunistic international phase rather than moving towards a truly globalised industry. Our transactions are not globally transparent, national jurisdictions do still matter a great deal, and we don't really have convertible currencies. By that I mean educationally convertible currencies - credit transfer arrangements and the like. So it could be said that although higher education at the moment is hugely influenced by some of the more successfully globalised industries such as finance or communications, we still only have a very rough map for the move from local through international towards a global state. And whether that global state is indeed a good thing is something that electors and citizens are very interested in at the moment. I noticed the word "imperative" in "Unlocking the Global Education Imperative", and, having read the document, that's one of the most interesting things. What is really imperative about being globalised? How much is it in fact optional, or, at a time of economic crisis, perhaps undesirable?

I'd like to talk a little bit about global purpose now. We need to ask not so much "how global do we want to be?", but "what is it, educationally, that we are trying to

produce”? Is it, as I think the University of British Columbia was one of the first to articulate, that we want to produce global citizens, or are we really talking about the education of our national citizens with a little bit of something international thrown in? There might be a few more international students in a class than there were before, or an opportunity for a student to study overseas for a few months as part of their programme. That isn't turning out global citizens; it is just adding a little bit of international experience to the existing national experience.

Let's get really serious. Are we talking about what I would call Anglo look-alikes or are we interested in something that is multi-lingual, multi-cultural, a much more variegated image of global education? This question is of interest to the researcher - are we interested in deep level trans-national, totally international research collaborations such as, say, CERN with six or seven thousand particle physicists from 80 countries, or are we more interested in casual small scale research collaborations - I've got a project with a bit of funding, you've got one, we could get together and we might author a few papers together? The latter isn't actually a global research environment.

So far, from what I can see from working in three countries in recent years, I'd say that we are really in the “national plus” phase. We have global connectivity. We do touch, but we don't yet have marriage. At this point in time, the finance industry, one of the best models of globalisation, is in tatters. We need to stand back and say, “Do we want to go down that track?” and, if we do, then there are some big questions to ask.

In a globalising world, are we looking for higher education as aid (the image of the missionary), trade (mercenary), or the reciprocity of full collaboration? A lot of Vice Chancellors talk about the last, but actually when they get back home it's all about trade and they try to stamp down on both aid and mutual collaboration. And we all know why. Budgets are pressured; a VC knows that an increasing proportion of the budget is made up of the fees from incoming international students. So that question of aid and trade is a moral one. Different nations look at it differently. In Canada or Scandinavia, for instance, the aid argument is still very high – we can see that, not just from public utterances, but also in the percentage of GDP they spend on giving aid. We need to define where we are on the spectrum from British higher education to world higher education, otherwise we will get lost.

One of the things that gets right up the nose of any international student is to talk of higher education in terms of import and export. When I first came to London as an international student aged 17, nobody said about me that I was a valuable person and I was helping the British export industries. But now we do. We talk about education as one of the more stable export industries when so many other industries are unstable. But is it a real equation of import and export? A higher education importer like Greece sends over 10,000 students to Britain every year, and an exporter such as us takes in those students and students from many other countries. It costs us money to do this. Adding in all that those students spend on their living costs, and the effects on real estate, is not really a sufficient moral basis for simply ploughing ahead as an exporter. A big importer like Greece may simply not be interested in providing adequate provision at home, preferring to push the costs into someone else's court (in

this case our court, because of being a member of the European Union). We do need, ultimately, to examine why different countries act as they do.

In Britain we've explored the next question quite extensively – it concerns the balance between the public good and the private benefit. That's what the top-up fee is about. The government holds that higher education is a public good and funds universities, but not the full cost – so universities charge fees to students. The student takes an income contingent loan to cover the costs of doing a degree, and pays it back as a result of the extra earnings stemming from having that degree – the private benefit. In a more global context, everyone plots the balance between public good and private benefit differently. The Scandinavians put the public good at 90-100%. They believe that higher education is a really good form of public investment and are not so interested in the idea that the student, as a result of getting his degree, may earn more and therefore the state should try to recoup some of the costs from him.

The last of these issues of more moral purposes is, “Ultimately, what kind of economic model are we playing to?” Universities now have quite diverse economic models. There is a component of government funding, a large amount being paid by students, perhaps increasing amounts coming in from industry (well, might have been increasing amounts from industry until recently), philanthropic funds, and other sources of income. How do you make all of that balance if you're increasingly trying to operate in a global world? The unit of identity, as an institution or as a region or a country, is a very curious thing in higher education. Using your local institutional budget to become an increasingly global player, you will bump into many national and local regulations that stop you thinking in fully global ways.

Let's rehearse a few of those difficulties. There's firstly the concept of citizenry and its formation. Does our higher education model see education as absolutely essential to the creation of citizens? Higher education in the United Kingdom and Italy is approximately two-thirds publicly funded. In Finland and Austria it's over 90%, in Australia it's 50%, in America it's about 35% and in Korea around 25%. They have different ideas of what the student should contribute, often built upon these ideas of what citizen entitlement and citizen preparation should be about. Therefore, how much are institutions actually able to play with concepts of market responsiveness? Imagine that 90% of your budget comes in a regulated fixed block from the government; it is much harder for you to be a global player if you can use only 10% of your funding. This is also reflected in how much of our GDP we spend on higher education: United States around 3%, Finland around 2%, Italy around 1%. There are also concepts of educational type, what it is that you're trying to put forward in various markets - specialised under-graduate degrees, particular forms of PhDs and the like.

I'll now apply some of these very general and woolly concepts to the UK scene. Our sense of citizen entitlement is seen in the top-up fee debate that we will no doubt have again later this year. It's going to be a very important debate because it raises the question of 'whose citizens?' EU students study in Britain on the same basis as UK students, so are they equally citizens too? That isn't something which the man in the street would accept. Yet it is something that's hugely important because, if the fee is set at the wrong point, without regard to the incentives and disincentives of the citizens of the other 26 countries, they may flood in or flood out or just ignore it.

For staff, one issue that really does seem to stop global movement - Germany sees this in a big way, Britain a touch less - is pension schemes. Everyone's interested in those at the moment because they're not quite sure how much is left in theirs (and for most of us in the university sector, too, that's a good question). Rigid pension schemes stop staff moving. The Germans have observed that although they are required to advertise internationally, they rarely appoint international candidates because often it comes down to the issue of the individual's assets and pension. International mobility gets stifled at that point because it is not advantageous for the family to move, so the candidate turns down the job.

National specialisations are interesting. For Britain, the gold standard is often held to be the three year honours undergraduate degree or a very specialised form of thesis-basis PhD. We do find ourselves now having to wonder whether that will be the right product in the future. Does it map onto anything else? Is the fact that our identity is so much bound up with those two products going to be a problem for the future? I noticed in Drummond's report he said, "In Britain we shouldn't get too hung up on these issues. They shouldn't become too much articles of faith." I'd go even further. Should we operate a number of models, have three year specialised degrees, four year more North American style degrees, more general three year degrees? Can we tolerate that in the current system? I don't know.

In Britain, too, our government-style management is still not highly globalised. It does seem to fly in the face of bringing about a more globalised higher education industry. We've internationalised some of the management of universities, but we haven't necessarily done the same thing with our governors. If you look on your Boards, your Councils, few people there will be truly knowledgeable of global businesses or higher education in the global context.

I'll finish on some of the implications of the comments I've been making. National regulatory change is going to remain slow, agonising and inefficient, and it's going to be worse in central and southern Europe where the governments don't want to put any more money in and are not prepared to charge a fee to students. As a result of that, there can be substantial erosion of quality. But for all of us the danger is that we will get swept away in a cataclysmic change in the world while we're fighting over the smaller issues of how we relate nationally. The larger picture may change and other countries may come in with better international models (or truly globalised models). Students are not so worried about whether your particular degree has national sanction or not. They want a degree with a brand name that might get them a job. That challenge may most come to those who are in the third and fourth year of British universities. I think they may find that they are being overtaken by those who are much more technologically savvy and much more legally and legalistically fleet of foot.

I see jurisdictional fights getting worse, and particularly the fight between the UK (or do I mean England) and the European Union. I noticed in the Sunday Telegraph a headline that said, "700 organs given to foreigners." This was not a musicological study, it was about livers and kidneys. The point was being made that, while British people were waiting, European citizens were gaining organs in various British medical facilities, and that this was wrong. That form of xenophobia will be played

out exactly in higher education, if we don't handle this next part of the top-up fees debate very well. I see that becoming quite an issue. A European Union student gets a place at your local university and you don't, because there's a fixed quota of people from the UK and the other 26 countries of the EU. Similarly with fees - what does an English student pay, compared to a Dutch or a Japanese student? (I won't even go into the situation in Scotland.) In that regard you can see how we're not really sure what the unit of identity is. Is it the sub-part (the state), is it the nation, or is it indeed the European Union?

I see, therefore, ingenious franchising, validating and articulation models being developed as people work around these rigidities of national regulation. Those rigidities could be very much like the Cold War Eastern European ways of blocking the airwaves, trying to stop citizens from listening to those terrible ideas coming from the West – the citizens found out anyway, and similarly it's not going to be possible in the future to hold to national regulation to nearly the same degree as we have in the past.

Bahram and I talked on the phone about a particular phenomenon a few days ago, and he suggested I should mention it in my speech. It was something I can see that's emerging in relation to international student flows. I put four events to you:

Last week there was a front page headline of the Australian newspaper, which was to the point that there was a mass deferral by international students in Australia in the lead up to the start of the academic year (which there is February). This is the first part of the world that's seeing a full year intake after the credit crises of the end of the last year. Many students, particularly from China, Korea and Japan, were deferring places they already had. They were simply not going to turn up at the start of the academic year, and this would have multi-billion dollar consequences. It'll be known in the next three or four weeks how true these projections are.

A second one was that GRE applications for graduate entry in the United States are falling for the first time in living memory, which seems to be counter-intuitive to the traditional counter-cyclical view that when the economy goes down you go and tool up, particularly at graduate level. But there seems to be a down-turn in those interested in doing the test that might admit them to that possibility.

A third one is in China, which may actually move into recession – below zero per cent growth. Some of the projections which are now saying that China will move into recession are based upon current levels of electricity consumption and current import figures. In other words, if electricity isn't being used right now, and if the iron ore isn't being bought, that may tell you what's going to happen a few months later on.

And the last one is the pound reaching record lows in recent times.

Putting all that together, I think we end up with one word - fear. We've got all the graphs, we've got all the projections - but what do they mean? The fear factor is now becoming over-riding. If someone is really pushed between improving their education and losing their house, they will obviously choose to keep their home. Someone may think they *can* afford to do a degree, but who knows what the currency will be worth? Don't assume that the pound will be a low currency in 12 months'

time. An international student may therefore commit for one year, but probably won't commit for three. At City University in our projections as of yesterday, we're seeing an interesting international pattern. Nearly 40% of our students come from abroad. Undergraduate international numbers are down, except for one-year courses which are way up. And many of them are saying, "Can we pay the full fee up front now?" They'll come in September, but they want to pay now for their full degree, because the pound is a low currency at present. I think that tells us that we're into new, uncharted waters and we should assume very little.