Sustaining the public university in an increasingly challenging financial and policy environment: goings-on in Europe and North America

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Provocation

Immediate post-millennium was arguably the golden age for universities, with big emphasis on massification, investment especially in research, international mobility and institutional autonomy.

Today - geopolitical and geoeconomic tensions, demographic changes, technological progress and shifts in the labour market have significantly changed the policy and public environment.

As 80+% of population likely to attend some form of tertiary education – along deep social inequalities and regional disparities – challenge to role of/support for (elite/traditional) universities.

Combination of macro-trends, public attitudes and public policy having an existential impact on European and North American higher education.

Is the current model of higher education sustainable?

Do we have too many universities or the same type of institutions?



Macro Trends

- Geopolitics and Global Science –
  - huge shifts from bi-polar to multi-polar putting focus on R&I competitiveness;
  - universities entering critical stage in increasingly competitive global environment
- Global Talent Race – competitiveness measured by talent- and knowledge capabilities of universities; international mobility is shifting
- Demographic Shifts – declining traditional student population but need to address demand potential from adult learners
- Future Skills Needs – greater focus on employability/engagement with employers; concerns about educational relevance, “labour mismatch”, skill gaps, under- and over-employment.
- Accountability – more emphasis on outputs and impacts, value-for-money, and accountability



Faultlines appearing

- Earlier phases of massification were about expansion but managing, governing, funding and working in a universal system presents very different challenges.
- Correspondence between qualifications and occupations is complex and multifaceted, and success varies and “access to what” really counts
- Labour market and technological changes shifting attitudes around employments
- New models of (private) learning/alternative credential more responsive and welcoming to diverse learners for competency-based, shorter (faster) qualifications, stackable credentials and other forms of just-in-time learning
- HE is accused of being insufficiently accountable to students and society for learning outcomes, graduate competences and job-readiness, and life-sustaining skills in exchange for the funding and public/political support they receive.



Public Attitudes, Trust & Interest: Interdependent issues



Public attitudes towards higher education, vis-à-vis outcomes, quality and value proposition;



Degree of *public trust* between different sectors of society, the role of elites and outcomes of learning & research;



Public interest in effective and efficient use of public resources, and contribution, impact and benefit for individuals/society.



Rising costs will outstrip funding, European universities fear

'Financial resilience' strategies needed as survey finds vast majority of institutions expecting staff and capital expenditure to increase in next five

UK universities' civic role 'held back by stop-start funding'

3, 2025

3, 2025

Institutions will be unable to play ful
without more stable support, repor

Published on September 8, 2026

Last updated September 8, 2026

Georgia Luckhurst

Demographic decline and pre recruitment: The twin threats to English higher education into the 2040s



Federal retreat from post-secondary funding has pushed colleges and universities into crisis, new research finds

Glasgow University to cut staff over decline in international students

26 June 2026

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Europe-Wide Funding Crisis in Higher Education: Budget Cuts, Course Closures, and Threats to Institutions

Navigating Europe's Higher Education Funding Crisis: Budget Cuts, Closures, and Recovery Paths

State of play for HEIs

UK: Bailouts in Scotland (e.g. Dundee) and mergers (U Kent and Greenwich; KCL & Cranfield).

USA, HE sector has shrunk by 2% since over last years; 2023-2024, a net loss of 99 colleges/universities.

- Stagnant public funding, funding shortfall/gap
- Frozen or insufficient tuition adjustments
- Significant changes in international student mobility/income
- Escalating operational costs like energy and pensions
- Few if any alternative funding sources
- Small specialist providers and regional, ”lower ranked” HEIs disproportionately vulnerable
- Growing evidence of predatory behaviour by larger/higher ranked universities and others and colleges
- Growth of private for-profit sector even in countries where fees are low/no fees, e.g. Germany
  - by 2020 private higher education had more than one-third of total global enrolment
- Leadership challenges hamper ability to respond to lower revenues, pressures for cost reductions, greater efficiencies and new approaches.



Policy and Public Pressures Implications

- Geopolitical factors shifting funding and policy priorities: security, immigration, tariffs
- Demand coming from elsewhere in society: health, ageing, infrastructure,
- Political pressure to reduce immigration, new visa requirements leading to financial problems
- Funding R&I with emphasis on the "I" and fewer champions for basic discovery and AHSS
- Increased emphasis on vocational education – in response labour market changes
- Responses to social inequalities, regional disparities and "left behind communities"
- Rise of populism

"Universities and academics know what kind of product they'd like to offer the public, but nobody wants to pay for it—either privately or publicly."

Alex Usher, 2025

Evolving Funding Policies

Funding a universal tertiary education system is very different from one catering to a small higher education minority.

- Fees/public funding is problematic: public opposed to fees, loans and taxes.
  - Free fee issue in regressive
  - Income contingent loans
- Tuition rises for international students
- Performance-based funding – linked to national strategic objectives, e.g., widening participation/equity, enterprise/regional engagement, value for money
- Targeted Innovation funding – increased focus on R&I, regional development/smart specialization
- Easing restrictions on institutional internal allocation and use of funding
- Private sector involvement – Encourage HEIs to pursue additional funding via PPP, sponsorship.

University responses?

- Strategic planning, benchmarking/peer learning
- Reduce BA length from 4 years to 3 years
- Increase staff/student ratio
- Institutional capacity building rather than outsourcing
- Staff layoffs and halted recruitment
- Shift to TNE: focus on student numbers as “golden ticket”
- Renewed focus on domestic or regional/state students
- Strategic financing – cross-subsidisation as positive
- Broaden recruitment for adult learners
- Greater focus on collaboration, clustering, specialisation, federations, mergers
- Rethink university leadership, including “staff professionalisation and investment in expert profiles, as well as a strong focus on leadership development.”

“Measures under consideration by the newly established Non-Pay Approvals Group (NPAG) include reductions in outsourcing, professional fees and consultancy with an emphasis on developing internal capacity; optimisation of campus and estates services including a review of buildings opening hours across our 5 campus/47 building estate; reductions in national marketing/branding expenditure with a greater focus on campus-based, community and local activities; stringent prioritisation of expenditure on travel & subsistence, and hospitality; and reviews of expenditure on software licences, subscriptions and databases informed by usage statistics.”
TU Dublin 2026

Efficiency strategies (EUA survey, 2024)

Figure 12 - Activities implemented in the academic field for greater efficiency

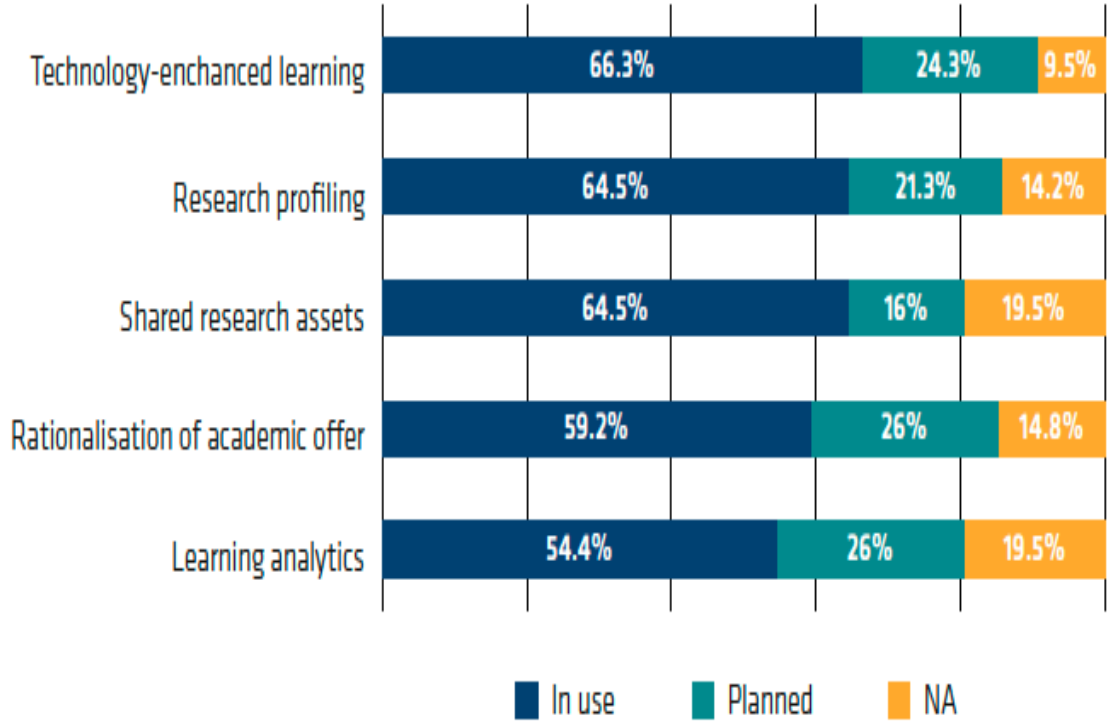
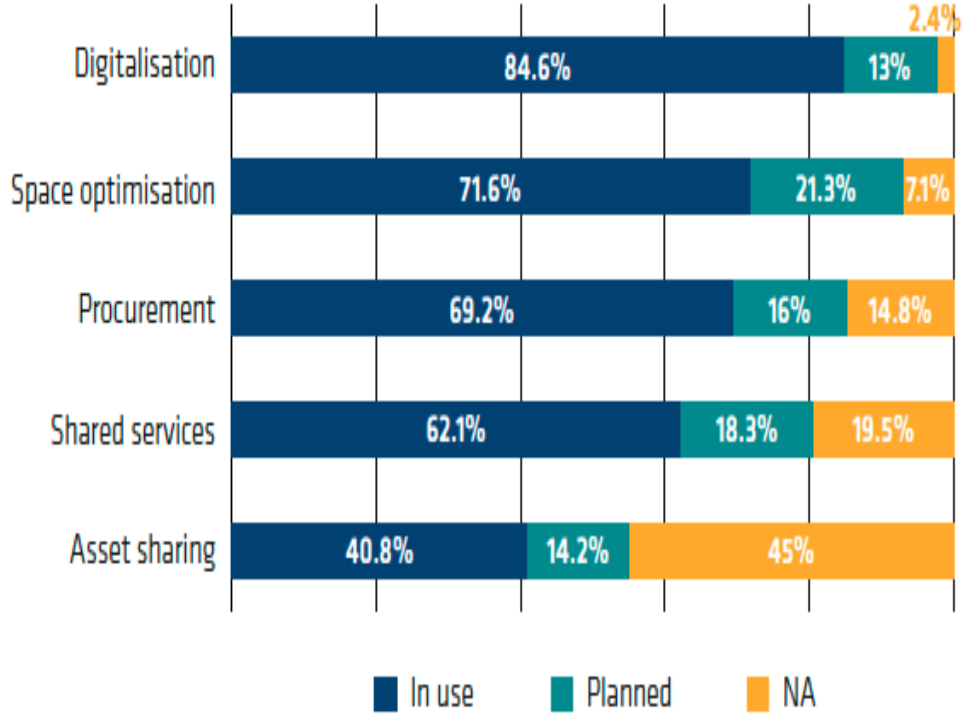


Figure 10 - Activities implemented in management for greater efficiency



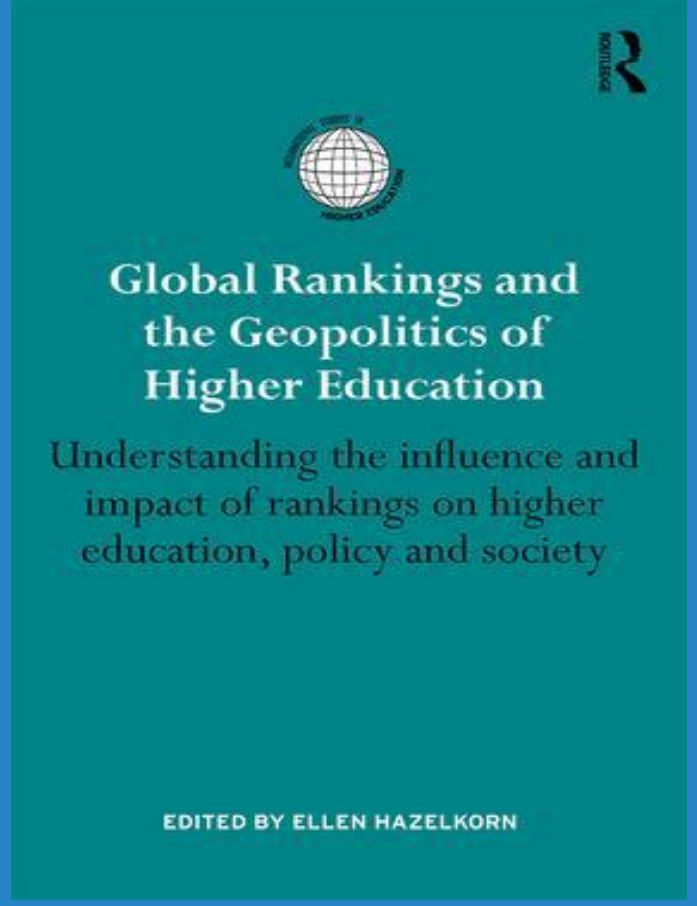
Planning for the Future

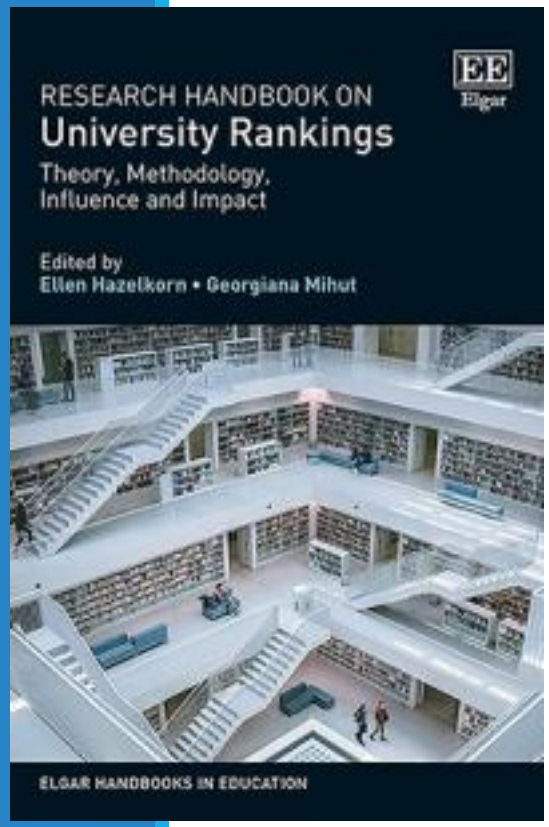
- More collaborative and join-up system: unified tertiary system; regional collaborations, focus on ecosystems
- Balancing personalisation and flexible learning pathways: all learners life-long learners
- Rethinking curriculum for a more diverse learner cohort: becoming age- neutral, and year-round 24/7 access
- Emphasis on learner-centred education – offering just-in-time anytime/anywhere: accessible, portable, relevant education
- Strengthening links between learning and work
- Digital campus with learning online becoming the norm, AI shaping future learning
- Maximising & reconfiguration of existing space, rethinking spaces
- New innovative funding opportunities and partnerships.

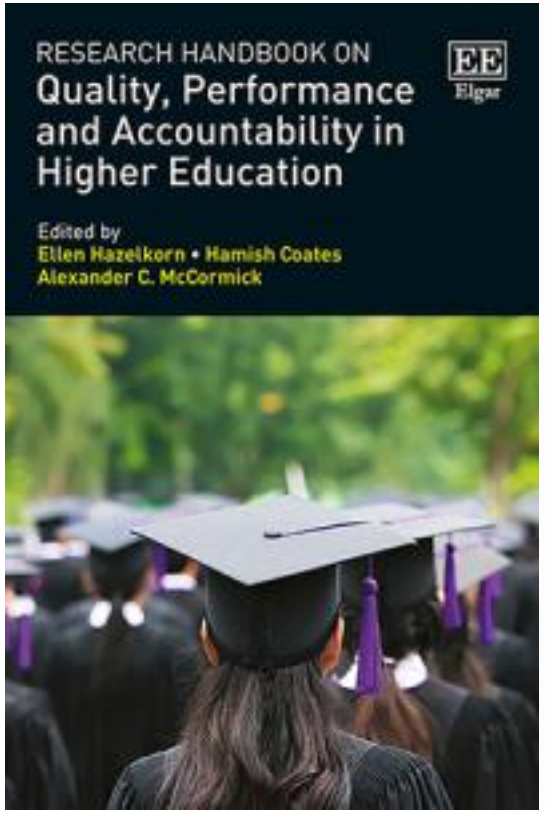
Final thoughts

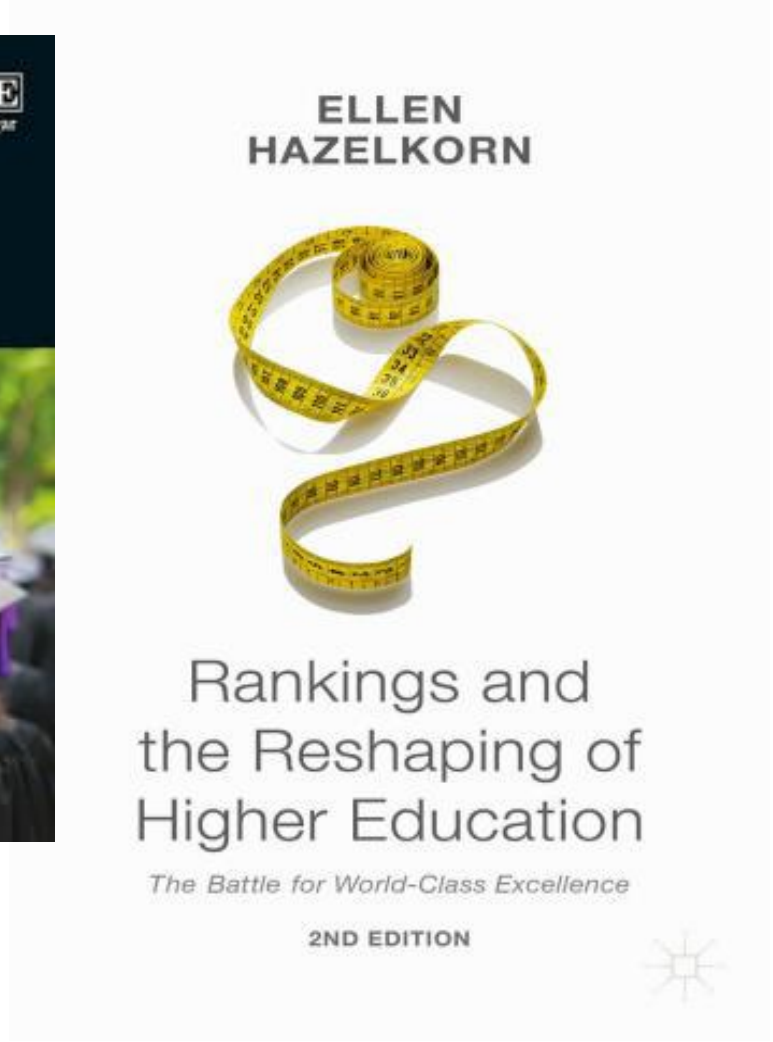
- Many universities face challenging environment. This is not just a South Africa problem.
- While financial sustainability is the most prominent issue, need to look beyond and consider longer-term characteristics of the future university.
- Many of the challenges facing universities are increasingly structural and systemic rather than operational or incremental reform.
- Future sustainability will require more fundamental changes to delivery models, collaboration, and system design. institutional capability & strategic adaptation
- Universities need to balance rising expectations across teaching, research, estates, workforce and student support within a constrained funding environment.
- Looking towards 2040+, rethink role/mission and be prepared to make significant adjustments.
- The universal phase is tertiary (not higher education alone).











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