
Economics of Internationalisation of Higher Education in the Post-Pandemic Era

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Abstract

Higher education is crucial to economic growth. When a nation develops, it usually spends its resources first on school education and then on secondary education. After attaining a particular stage of economic development, it spends more resources on higher education. Most developed economies are top destinations for international higher education, including cross-border higher education. The Covid-19 pandemic has wreaked havoc on most nations and the impact is being felt across sectors including higher education. Further, even during the pandemic, diplomatic engagements are too active and explicit, implying rearrangement in the existing global order. This article attempts to explore how the economic, technological and diplomatic factors would play out in the medium and long term and what would be their implication on internationalisation of higher education, and more specifically on cross-border higher education.

Keywords: Economics of Internationalisation of Higher Education, Internationalisation of Higher Education, Higher Education, cross-border higher education, Covid-19, Pandemic.

Introduction

Higher education is a good. The debates as to whether it is a public good or a private good have become more academic in nature with both governments and non-government organisations increasingly offering the good to wider sections of the people. As with any goods and services, higher education is also determined by factors of demand and supply. The internationalisation segment of higher education is the best exhibit to witness the interplay of factors of demand and supply. Cross-border higher education, a subset of internationalisation of higher education (Knight, 2012), involving the mobility of people, programmes, providers, is the focus of this piece. The article outlines the economics of higher education and internationalisation of higher education including cross border higher education. Subsequently, it argues how the post-pandemic landscape would emerge as one that would be completely different from the prevalent scenario in terms of student mobility and providers.

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Economics of Higher Education

The need for higher education is determined by the economics of it. The costs and benefits associated with higher education establish the need. Human resource is considered as a key determinant of economic growth. Skill and knowledge are human capital (Schultz, 1961). One of the reasons for expenditure on education is because it is an investment expenditure yielding better returns in the long run (Becker, 1962). A person with tertiary education is likely to earn, on average 50% more than the ones without it (OECD, 2011). When a nation develops, it usually spends its resources first on school education and then on secondary education. Only after reaching a critical mass of providing primary and secondary education and reaching a particular stage of economic development, it starts investing more in higher education (Blaug, 1979).

With the global economy moving from being predominantly agrarian to manufacturing-led and lately to services-driven, knowledge has become a key determinant of economic growth and national security. As production and application of knowledge are intrinsic to higher education, it has become a strategic tool for higher and sustainable growth. Thus, higher education and economic growth go hand in hand, with each impacting the other. The correlation between per capita income and enrolment in higher education is strong (Volchik et al, 2018). The following table lists per capita income of select countries, both developed and developing. It indicates that higher per capita income is associated with higher Gross Enrolment Ratio (GER) in higher education and vice versa.

GDP per capita and GER

Table 1: GDP per capita and GER

Country	GDP per capita for 2016 (2011 PPP \$)	Gross Enrolment Ratio, Tertiary Education (2016)
United States	53632	89
Germany	44669	68
Australia	44606	122
United Kingdom	39425	59
France	38098	64
Israel	32743	64
Malaysia	26106	44
Russian Federation	24417	82
China	14369	48
Brazil	14200	50
South Africa	12246	20
India	6145	27
Source: Human Development Data (1990-2018), UNDP		

Economics of International Higher Education

The key determinant of cross-border higher education is the potential benefits for all the stakeholders. Students who study abroad develop knowledge, intercultural sensitivity, expertise and skills that stand them in good stead in the constantly changing labour market. Higher education providers get revenue from international students and also get to enhance their research and innovation ecosystem with the participation of international faculty and researchers. They also benefit from enhanced institutional profile and brand value (Marinoni et al, 2019).

The host nation too gets revenue from the visiting students and benefits from its international alumni functioning as its cultural ambassador based on the emotional bondage they develop with the country during their academic pursuit (BIS, 2013). A study commissioned in the UK concluded that international students contribute significantly to the national revenue and more importantly offer skilled labour to various sectors that are beset with a shortage of skilled workforce (HEPI, 2019). It also benefits when international students stay back and work after education. Further, innovation is mostly driven by providers and receivers of higher education, in active partnership with industry. The sender nation also benefits when students return home after completing their education in the form of expert human resources.

Demand and supply of cross border higher education are determined usually by costs and benefits. Besides, other factors like technology, immigration system including visa requirements, educational diplomacy and related policies etc. also have bearing on the student mobility. The Covid-19 pandemic has implication for all these factors. The paper attempts to explore the probable changes in the three areas: state of the economy, technological intervention, and diplomacy.

Economic Impact of the Pandemic

What started as a health emergency has engulfed all aspects of life. The pandemic has brought changes to global and national economies, lifestyle, habits and is all set to establish new normals across all transactions of life. Most countries have disconnected themselves from the outside world and halted the production of most non-essential goods and services, resulting in loss of income, loss of jobs and resultant dilution of savings and wealth. The economic impact of the pandemic is humongous for the developed nations comparatively, with countries like the United States, the United Kingdom, France, Italy, Russia suffering substantial loss of lives and resources.

To gauge the severity of the economic disruption, one only needs to look at two sets of estimates that have been published within roughly one month. OECD in its interim economic assessment (OECD, 2020) projected a drop in world output to 2.4% and indicated that a prolonged fight against Covid-19 could reduce the growth rate to 1.5%. IMF in its blog post (Gopinath, 2020) has projected a gloomy picture for the global economy and almost all nations. The global output is projected to contract by 3% during 2020, with economically developed nations contracting at 6.1% on average. Among these nations, Italy is projected to show a dip of 9.1% in income, followed by Spain (8%), France (7.2%), Germany (7%), the United Kingdom (6.5%), Canada (6.2%), the United States (5.9%), Japan (5.2%) and other nations in the group by 4.6%. Except for India (1.9%) and China (1.2%), all the other nations are projected to have a contraction in their economic activity, including Russia (5.5%), Brazil

(5.3), and Saudi Arabia 2.3%). The current economic slump is worse than the Great Recession of 2009 and a latest report (UN, 2020) states that the job loss during the ongoing crisis and subsequent period is going to be worse than the Great Recession and estimates that unemployment in the US would be around 10 per cent. As of now, the estimated loss of labour hours in the second quarter “is 6.7%, which is equivalent to 195 million full-time workers,” (ILO, 2020).

The fiscal position is also set to become adverse with governments across the globe expected to borrow more to fund their budgeted expenditure and other requirements arising out of the pandemic. The Congressional Research Service (2020) sees a drop in the world trade between 13% and 32% as fallout of the pandemic and an increase in borrowings by nearly 3 times compared to 2019. The borrowing to Gross Domestic Product (GDP) of the world is expected to increase from 3.7% to 9.9%, of the US from 5.8% to 154%, of the European Area from 0.7% to 7.5%. Only Asia is forecast to have a relatively lesser increase: 6% to 9.9%.

With a huge slump in economic activity, increased borrowing, loss of human resources and uncertainty in many sectors, higher education would certainly bear the brunt, as evidenced earlier during the Great Recession of 2009. Even the “wealthiest colleges and universities suffered” enormously due to the financial crises of 2009 and budgetary cuts by State governments hit public institutions the most (Geiger, 2015). Higher education was affected “disproportionately” compared to school education and other social sectors, due to the financial crises in 2009, as the former is considered less essential and because the receiver of the good can be made to pay for the services offered (Zumeta, 2010). The economic impact is determined by the response of governments, institutions, and households (Varghese, 2010). As sources of funding cross-border education are scholarships, fellowships, and private funding, any changes to them would affect student mobility. Though the enrolment in the US increased during the financial crises, its outward student mobility fell.

During the East Asian economic crisis, the higher education sector was beset with funding challenges as governments cut the higher education budgets (Varghese, 2001). Similarly, Greece, whose economy shrunk over 15% from 2009 to 2012, too reduced its funding to tertiary education. Further, the number of students going abroad also declined. It may, thus, be noted, that unless governments substantially support the higher education sector during economic crises, the sector as a whole suffers or stagnates. In most cases, if not all, student mobility is highly curtailed.

The past economic disruptions have always had an impact on higher education. With the present crisis being far more intense and immense in its geographic spread, it is a given that higher education would be hit, with few exceptional cases where there could be strategic higher spending by governments. Low growth, low income for countries, institutions, and households is a recipe for slump or at least stagnation for higher education. An economically strait-jacketed higher education system is certainly not favourable for international higher education, including cross-border education. Though the immediate period would see an extreme drop in student mobility, the next couple of years are very likely to see growth in student mobility in certain destinations and drop in few others, depending on responses of the stakeholders.

ICT & International Higher Education

Technology, being a neutral medium, pervades all the sectors including higher education. “Firms that invested in digital technologies and training have been relatively more successful in coping with the crisis than those that did not,” observes the UN report (2020). During the last two months, colleges and universities have been shut, but they operate digitally via online lectures, webinars etc. Higher education institutions have adopted remote teaching to ensure continuity for their existing students. A 30- day period clocked student enrolment of 10.3 million for courses, which is more than 600% compared to the same period last year (HBR, 2020). With or without the pandemic, the way forward for higher education is a blended model where both online and traditional face to face instruction would co-exist. The pandemic has not only forced institutions to go online but has segregated institutions that were Covid-ready in terms of digital infrastructure and experience and the ones that were not. The future of higher education would witness a new normal in terms of adoption of ICT. Most nations and institutions would and need to go online for student admissions, instructions, the conduct of examinations, assessments etc.

Internationalisation of higher education is a process that includes international and intercultural dimensions into the higher education system (Knight, 2004). Cross-border higher education is only a part of international higher education. With the disruption in higher education created by Covid-19, most institutions would digitise their classrooms and infuse a large proportion of ICT in their curriculum. Internationalisation of curriculum would be accorded high priority over travel to international institutions. Only those students who need to study in an international setting physically would opt for cross-border higher education. Students who would be satisfied with an international curriculum would stay put in their own country and enrol in those institutions that offer them international education.

Direction of Diplomacy

Internationalisation has transformed from a traditional one based on partnership and cooperation to one that is commercialised and competitive. Being competitive is not just for academic reasons, but also for strategic reasons. Each nation advances its own priorities and does so by adopting specific strategies. The strategic goal for the US (Dept. of Education, 2012) is to strengthen its education system and advance its priorities in the international arena. To this end, it wants to increase the global competencies of its students, learn from other countries and engage in education diplomacy. It is a given that national governments are involved in international higher education, as they too are stakeholders. With an increase in competition for international higher education, some governments have become more active in internationalising their higher education. For example, Japan had in 2013 targeted to have 10 of its universities in the global top 100 by 2020 (Green, 2016). Germany, Russia, China have their own plans and strategies.

The pandemic has set diplomatic channels busy on two counts: i) sourcing medicines and material and ii) identifying the source of the virus and its spread. While the first reason is par for the course, the second would have its own consequences. Many nations have grouped together in wanting an independent probe into the virus within the ambit of WTO. This has been championed by Australia and supported by European countries, India and some African countries. The US has been vociferous on dismantling the present global supply chain and not to source from one country in the future. Japan has earmarked over \$20 billion to re-locate industry back from other countries. India too has expressed its intent to be self-reliant and

strengthen Make-In-India programme. With 5G in digital space imminent, the diplomatic directions during the pandemic mean one thing: nationalism instead of globalisation, at least wherever possible. The world has already become well-integrated and isolationism is not possible. However, limiting the degree of internationalisation and re-calibrating the global alliance is very possible. More specifically engagement with China would be different in the post-pandemic era.

Conclusion

The economic crisis precipitated by the pandemic has hurt all the nations severely. But the developed nations are the most intensely damaged. The top destinations of the world for cross-border higher education—the US, the UK, Canada, China, France Russia, Germany—have all reported widespread infection of the virus and huge loss of lives. Their economies are under extreme stress and the recovery is expected to take at least two years. Outbound mobility in their countries may not happen in the short to medium term (2-4 years). How these countries offer financial aid to immigrant students and how much they offer would determine the inward mobility of students. Further, strategies adopted by respective national governments as to whether funding has to be increased or decreased to its university sector would also decide the way the sector shapes up. The track record of the economic impact on higher education, however, points to a marginal drop in enrolment in most countries and abatement in student mobility.

ICT has pervaded the sector fully. The traditionalist who favoured on-campus direct interaction between teachers and students may have already seen radical changes happening within the shortest span of time when the learning-teaching process has gone virtual. Relying solely on on-campus mode is not possible in the future. The blended model is the way. Internationalisation would be more about remote learning than mobility, at least in the medium term. Only those students, teachers, and researchers who need or wish to travel across borders for education would travel. Those who only need international quality of education would make use of virtual modes and enrol in domestically available institutions that offer internationalised services.

At present the top international higher education providers are the economically advanced countries. The diplomatic friction evident between China and most developed nations indicate probable realignment in global alliances and priorities. With the US temporarily suspending immigration visas including student visas and China threatening Australia of its student boycott of higher education services of the latter, things do not augur well for cross-border education. Though the fury of words spoken by diplomats may not necessarily translate into commensurate action from their respective governments, it is a clear indication of the way things are expected to pan out. The choice of countries for the mobility of students is bound to change, due to diplomatic actions.

In all probability, in the medium term of 2-4 years drop in international mobility is very likely. In the medium to long run, the prevalent top destinations for cross-border education would not remain as the most preferred destinations. Further, internationalisation of higher education would be less about student mobility and more about quality.

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