



RSU and Higher Education Export

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Summary



2,323

international students,
study at RSU in 2020.

2020

2015./2016.



RSU higher education export
in 2020 will generate

a direct
contribution of
49.6m
euros

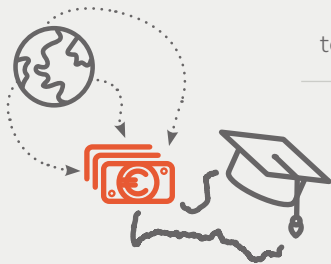
an indirect
contribution of
46.6m
euros,

to the economy of Latvia



For comparison -
during the 2015/2016
academic year, the total
contribution of RSU
international students to
Latvia's GDP was

56.7m
euros



contributing a total

96.2m
euros to GDP

The funding sources for almost all RSU
international students come from abroad (for
example, 84% of respondents pay for their
studies from personal or family savings), which
has **a positive impact on Latvia's trade balance.**



Guests visiting RSU
international students
spent at least

2.3m
euros
2020.



RSU international
students created

1,040
jobs

in Riga and pay annual
taxes of at least

15m
euros

2021. → 2024.



The export of RSU higher education
services between 2021 and 2024 will
grow Latvia's GDP by

438m
euros



RSU international students have not felt the effects of
Covid-19 as drastically as students in countries more affected
by the virus in 2020.



85% of international students at RSU are satisfied with
their studies in Latvia and their choice of study
programme.



79% of respondents
were able to
continue their
studies during the
pandemic and only
1% suspended their
studies



72% of
international RSU
students were
satisfied with
how the Covid-19
pandemic was
addressed in
Latvia



83% of RSU
international
students planned
to continue their
studies at RSU
even if the studies
continue to take
place online

INTRODUCTION

UNESCO data on the flow of international students reveals that in the last twenty years the total number of international students significantly increased to 5.33m in 2017. Although global data for the last three years is not yet available, the estimates of the leading destination countries suggest that this trend continued in 2018 and 2019.

In 2020 significant restrictions on the international movement of people were imposed to limit the spread of COVID-19. The impact of COVID-19 on international student flows depends on many factors but primarily on the extent to which the cross-border movement of students is affected. Student surveys conducted in Latvia during the spring semester show that most current students, at least initially, plan to postpone rather than completely suspend their studies.¹ Industry experts speculate that in the long term, assuming that the spread of COVID-19 is limited, the number of international students will increase. The countries that have dealt with the outbreak of COVID-19 most successfully (Canada, Australia and New Zealand in particular) could even increase their market share.²

Figure 1

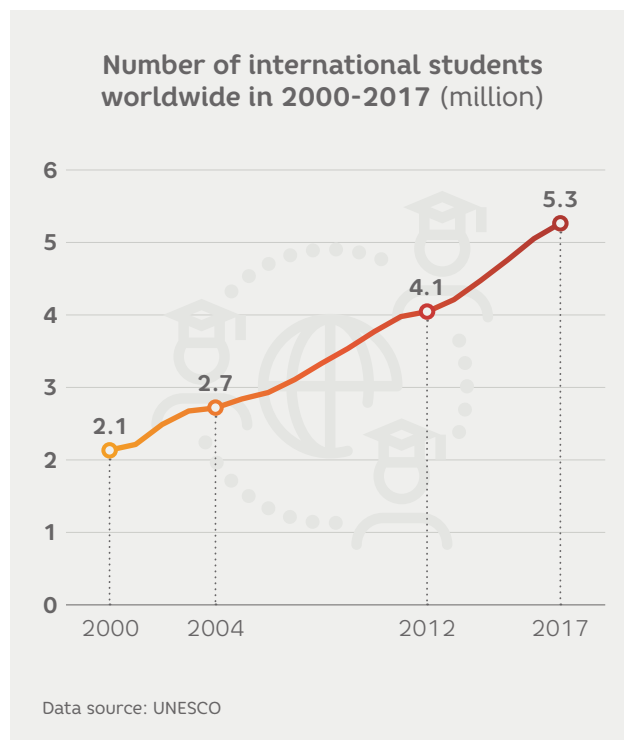
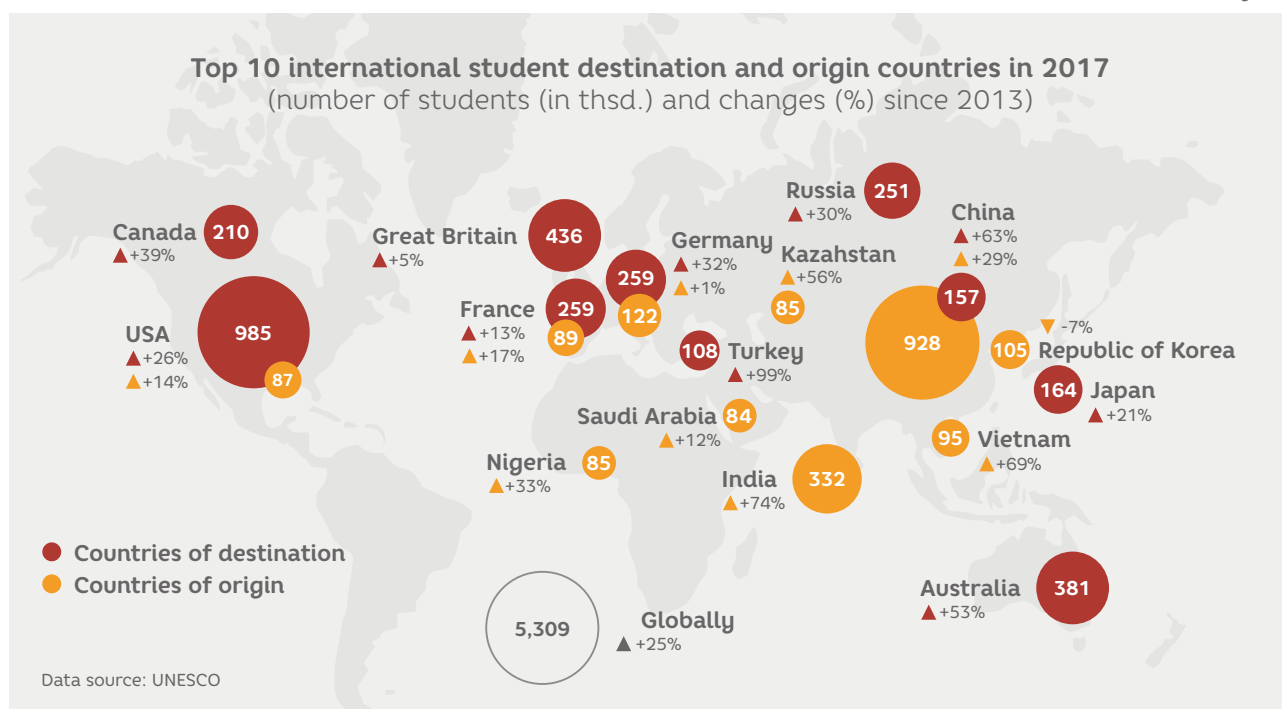


Figure 2



¹ IDP Connect. 2020. International Student Crossroads: Demand for an on-campus education amidst COVID-19; QS Surveys. 2020. The Outlook for University Admissions: The impact of COVID-19.

² Times Higher Education. 2020. EV Parthenon: Pandemic to redistribute international student flows.

In the short term, the sector may suffer significant losses. The British Council has estimated that in the 2020/2021 academic year the number of students admitted to UK universities could fall by anywhere between 12-61%, and direct student spending could fall by 0.4 -2.3bn GBP.³ 52% of higher education institutions

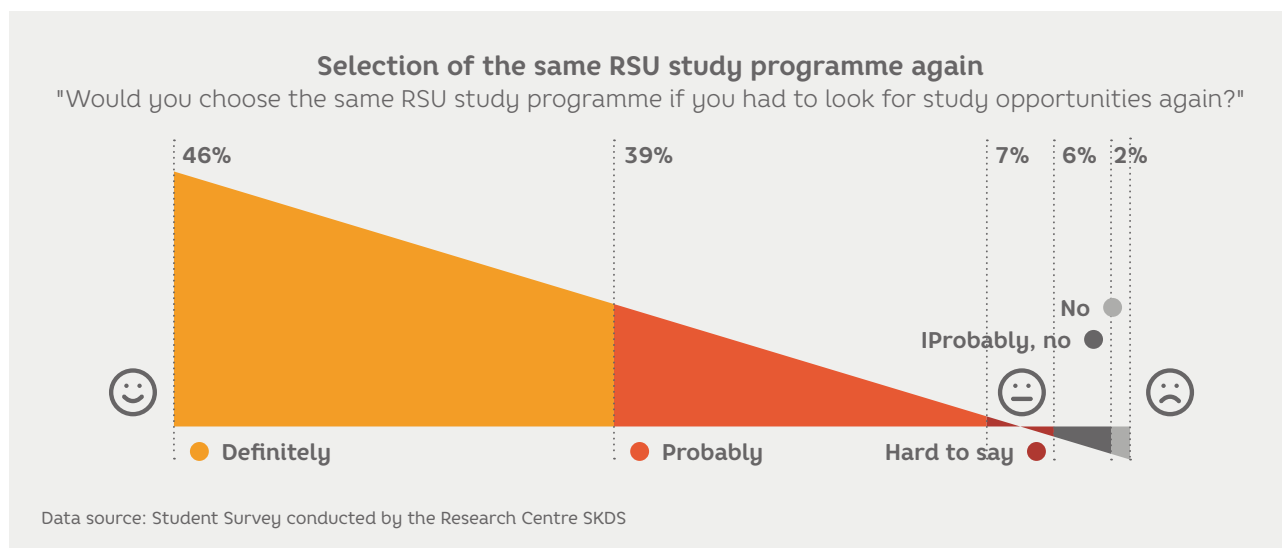
surveyed in the USA in July reported a decrease in the number of applications of international students⁴ when compared with the previous academic year. When the study process resumed, many universities and colleges faced an increase in Covid cases.⁵

LATVIA AND THE BALTIC STATES

The findings of the 2020 RSU student survey, which was conducted in May and June, shows that international students in Latvia have felt the impact of COVID-19, but perhaps not as drastically as students in the countries which were more severely affected by the virus. After the outbreak of the Covid-19 pandemic in Latvia, 79% of respondents were able to continue their studies at RSU. Only 1% had to suspend their studies. The majority of students (79%) had not considered postponing their studies for a year due to COVID-19. 72% of surveyed RSU students indicated that they were satisfied with how the COVID-19 pandemic was addressed in Latvia and 63% of respondents were satisfied with how the situation was addressed at RSU. Of course, the study process has changed, and this is confirmed also by the findings of the

student survey. When assessing the potential concerns about their online studies at RSU, the respondents most often mentioned the lack of socialisation with their course mates (65%), expressed their concern about academic staff who had not been trained to conduct lectures online (49%), and lack of motivation to continue their studies (48%). 7% of respondents mentioned problems related to acquiring practical skills in online environment. However, despite the difficulties, most students conceded that they were likely (22%) or determined (61%) to continue their studies at RSU next academic year even if the studies continued online. Many students stated that they would choose the same RSU study programme if they were once again seeking study opportunities.

Figure 3



Many international students at RSU say that they would recommend RSU to friends and family: 49% of the respondents rated the probability of a positive recommendation on a 10-point scale as very likely

(score 9-10). At the same time, 16% of respondents were unlikely to recommend RSU (score 0-6). Comparing the proportions of these groups, we can obtain a so-called *Net Promoter Score* (NPS) of 33.⁶

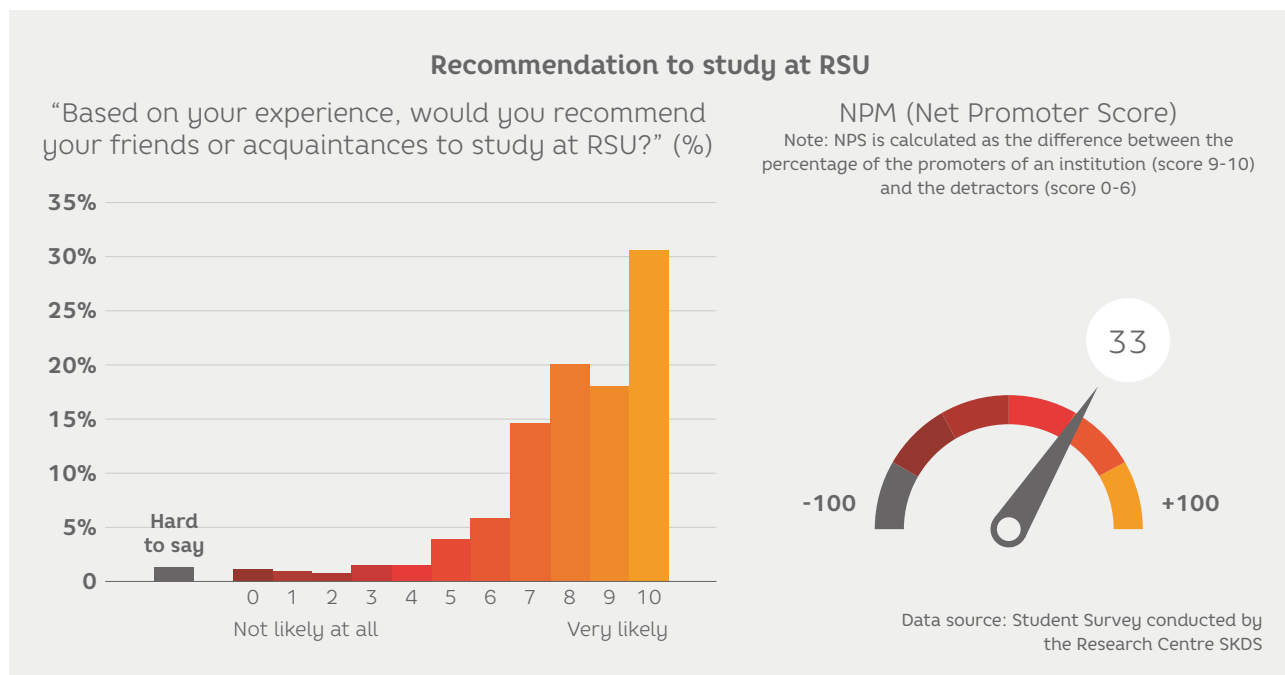
³ British Council. 2020. Covid-19 Update: East Asia Survey Results.

⁴ IIE. 2020. Covid-19 Effects on U.S. Higher Education Campuses. New Realities for Global Student Mobility in Summer and Fall 2020.

⁵ New York Times. 2020. Tracking Coronavirus Cases at U.S. Colleges and Universities.

⁶ In theory NPS can range from (-100) to (100) and a positive measurement means that there are more promoters than detractors. However, NPS is not widely used in the context of higher education therefore it is hard to interpret. For comparison - the information collected by Nice Satmetrix shows that the average USA NPS values in 2018 for internet service providers were approximately (-1), for banks (35), for airlines (44), and for tablet manufacturers (56).

Figure 4



Positive feedback may have helped to make Latvia the leader among the Baltic States in terms of enrolled international student numbers over the last five years. The proportion of international students in Latvia and Estonia is similar and the number of international students has continued to increase during the last five years, exceeding 12% in both countries in 2019. Lithuania, however, is falling behind, with the proportion of international students in 2019 being just 6.3%.

Estonia has a high number of students coming from neighbouring countries (Finland, Russia and Latvia). Finland is the leading market in Estonia (35% from all international students). The increase in the total number of international students in Estonia in recent years is mainly due to the increase of international students in Master's and doctoral study programmes. Lithuania continues to be an important destination for students from Belarus (20%). Only Russia and Poland are more popular destination countries than Lithuania for Belarussian students.

Figure 5

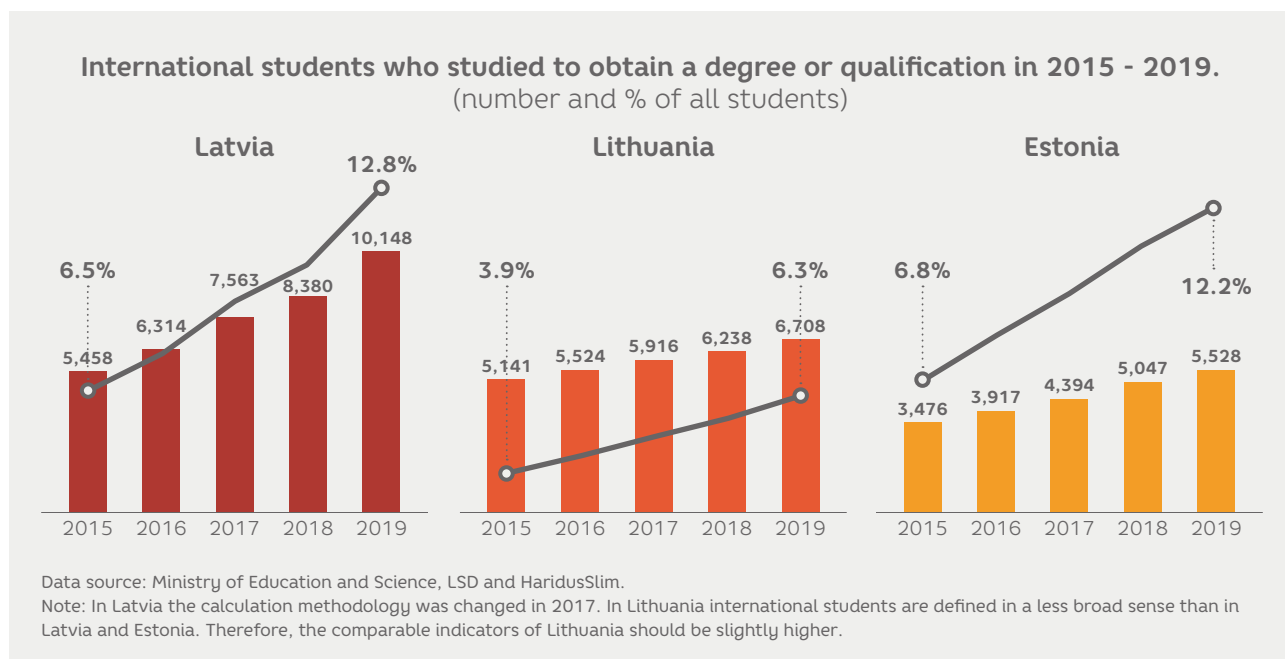


Figure 6

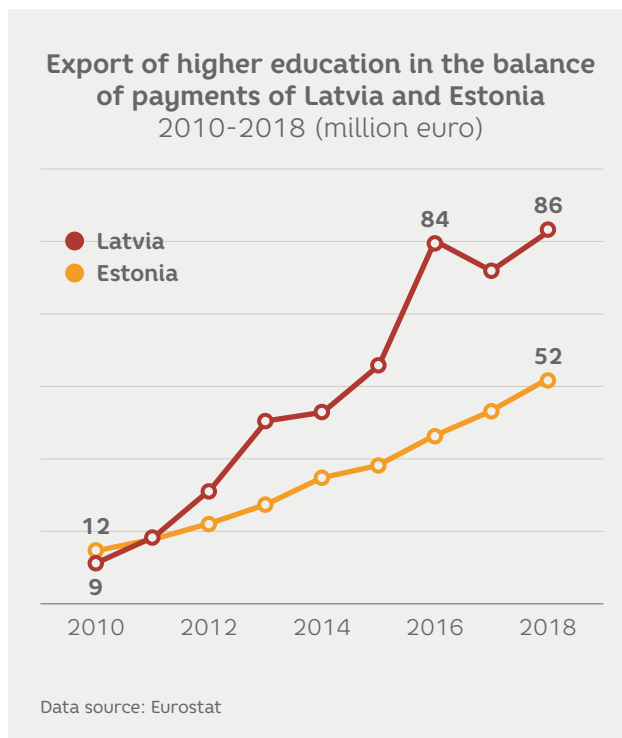
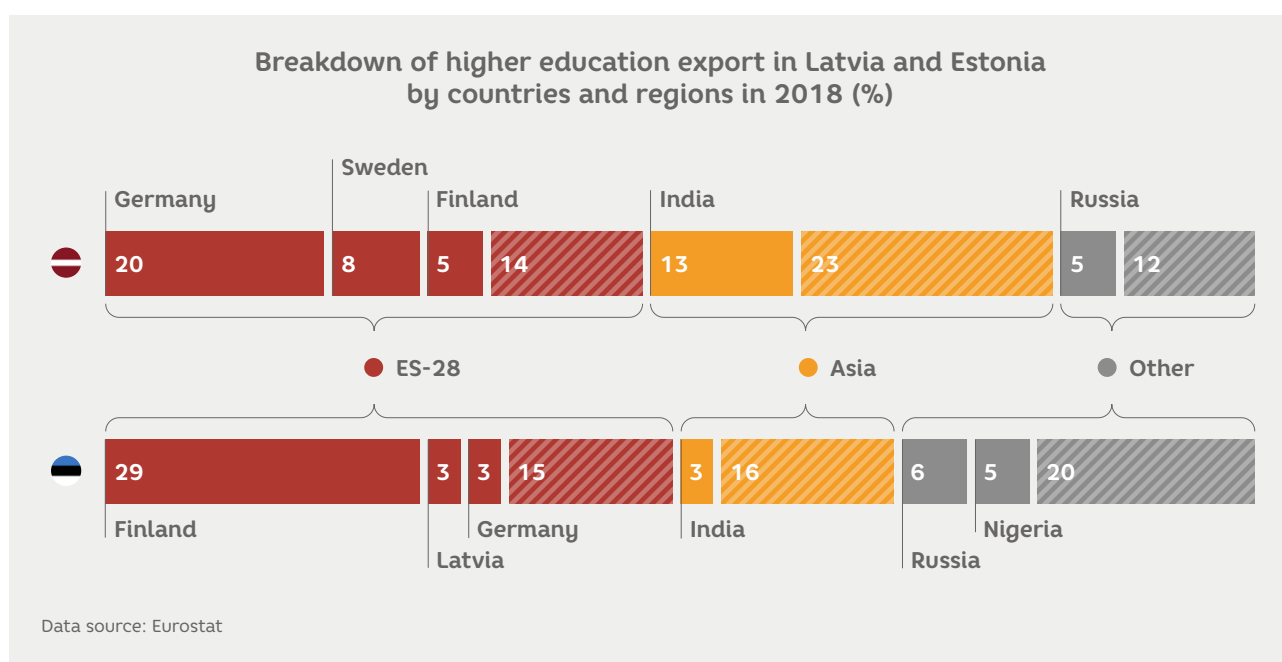


Figure 7

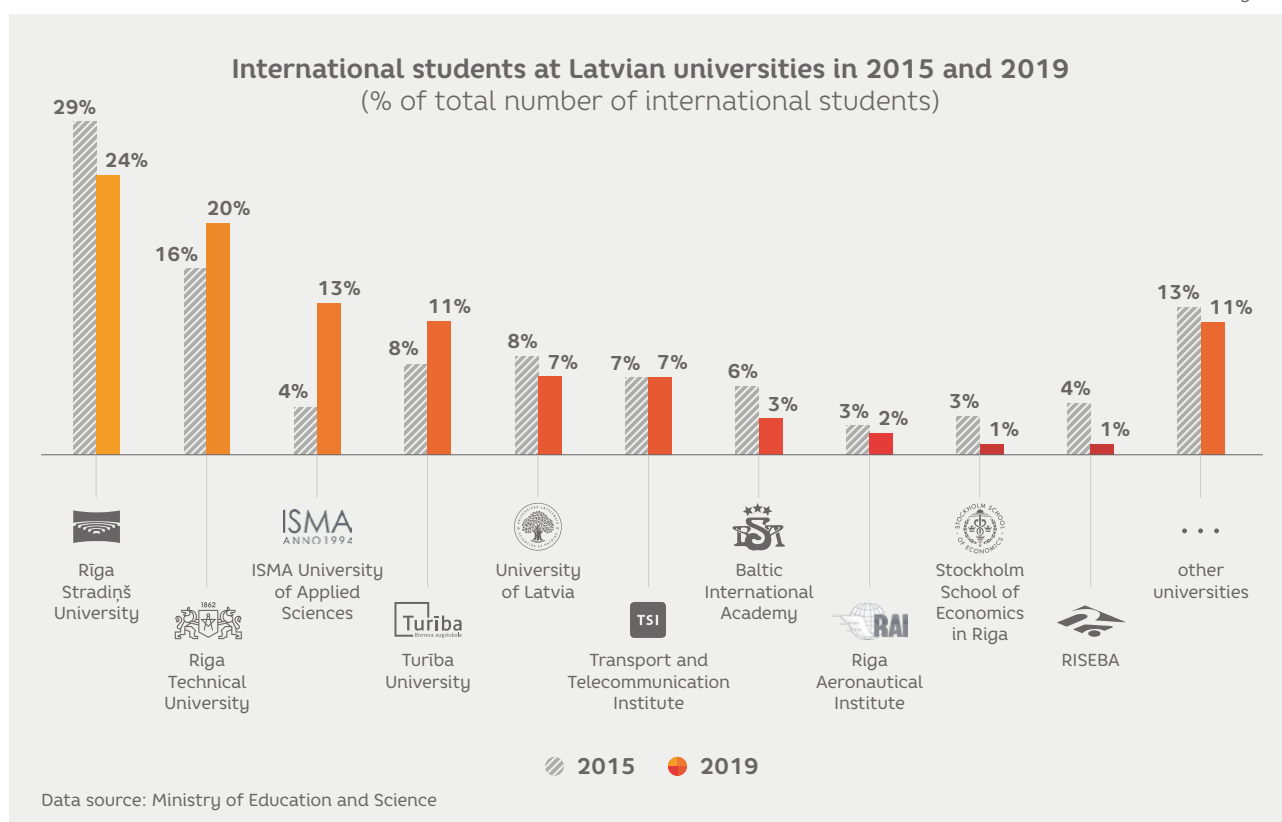


⁷ It should be noted that due to the different methodologies, the balance of payments data is not directly comparable to the calculations of this and the previous Certus study on the contribution of higher education services to the Latvian economy.

The next figure shows summarised information on the distribution of international students by Latvian universities, highlighting the ten top market players. RSU and RTU are the two biggest players in Latvia having almost half – 44% – of all international students. The majority of RSU international students come from the EU

(Germany, Sweden, Finland, etc.). RTU, on the other hand, has enrolled more students from Asian countries (India, Uzbekistan, Sri Lanka, etc.). These are also the main target markets for the leading private universities in Latvia – ISMA and Turība University.

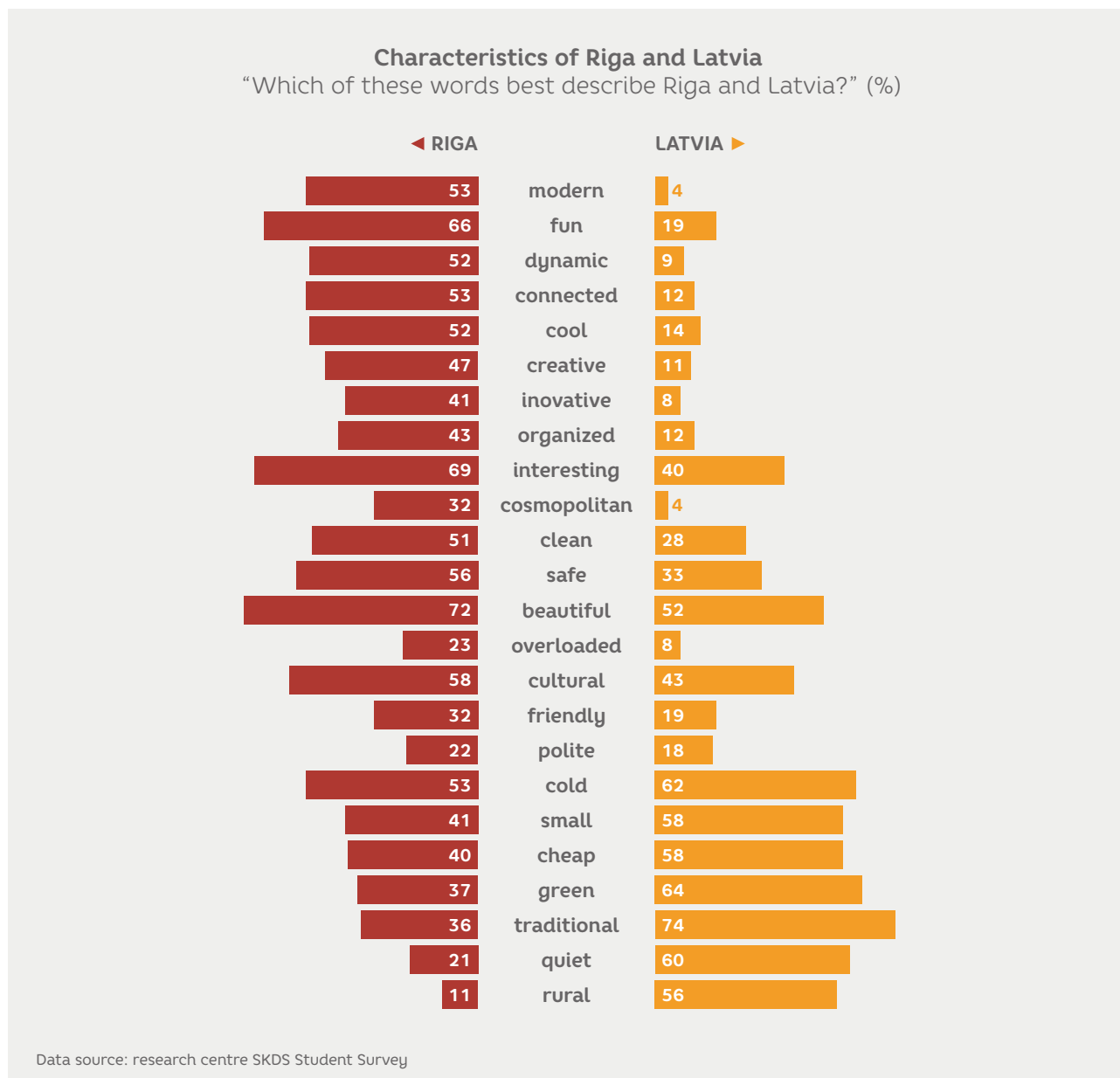
Figure 8



It should be noted that all ten higher education export leaders are located in the capital city Riga. This is not surprising, as Riga is more likely to offer a variety of advantages for students. A more coordinated and targeted cooperation between the universities, municipalities, ministries and other interested parties, for instance, the development of the *Rīga Campus* territory on the left bank of the Daugava River could improve Riga's competitiveness and make the city even better placed as an international higher education destination.

RSU international students were asked to compare which words best describe Riga and Latvia. Some words were equally associated with both, for example, "cold", "cultural" and "beautiful". However, "modern", "fun", "dynamic" and "connected" were mostly associated with Riga while "quiet", "rustic" and "traditional" were mostly associated with Latvia. The city of Riga is clearly a more attractive student destination than Latvia as a whole.

Figure 9



RSU: LATVIA’S HIGHER EDUCATION EXPORT PIONEER

In 2009 RSU decided to start focusing on attracting greater flows of international students. This decision was particularly affected by Latvia’s long-lasting demographic decline and the impact that the financial crisis of 2008 had on higher education spending. The aim for 2013 was to attract about 235 international students and increase revenue from international students by 1.7m. This aim turned out to be very modest because by 2013 there were already 1,000 international students at RSU.

Admission dynamics continued growing until 2017 when RSU tuition fees were significantly increased. As a result, the number of applications dropped by 16%, and only in the autumn of the 2019 semester did the number of applications pick up to previous rates. The competition for study places also became tougher, reaching 3.7 applications for one study place in by the autumn 2019 semester.

Why do international students choose to study at RSU? In 2020 the most important factors were studies in English (83%), an EU university diploma (68%), reputation (41%) and the opportunity to live in Riga (30%). Other important factors included an absence of entry tests which eradicated the need to visit Riga for additional tests. Instead, the university assesses the average secondary education grades in English, Chemistry and Biology. From 2015 the minimum requirements for these core subjects has been no less than 70% of the grading scale of the country, where the student obtained a secondary education diploma. Second, two admissions per year, so students can start their studies promptly. Third, an individual approach to enrollment in the form of a one-stop agency. Fourth, a unique multicultural environment with international students accounting for more than a quarter of the total number of students. Finally, Riga is very well-placed geographically with a large airport, as well as convenient air traffic to Germany, the Nordics and Italy.

Competition among European higher education institutions is growing, particularly in attracting international students in health care and medicine. The Central European universities are among RSU's major rivals. Eleven universities have lower tuition fees than RSU, including the University of Tartu, Vilnius University, University of Zagreb, Charles University in Prague. Some universities in Germany and Scandinavia charge no tuition fees.

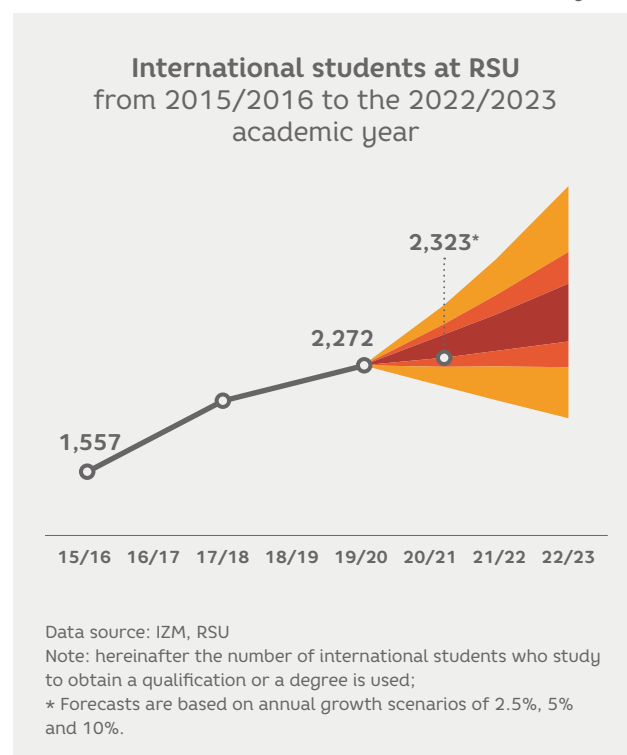
RSU has started working on a new development strategy for 2021 - 2027. The demand for medical education in EU/EEA countries will not be met and will continue to increase, especially in the context of the socio-economic changes caused by COVID-19 pandemic. As a result, RSU plans to gradually increase the number of international students in medicine and health care over the next decade.

THE IMPACT OF RSU'S INTERNATIONAL STUDENTS ON THE LATVIAN ECONOMY

In order to determine the contribution of RSU's higher education export on the Latvian economy as well as the changes over the last five years, it is first necessary to assess changes in the number of RSU international students. Since the 2015/2016 academic year, when *Certus* first analysed higher education export in Latvia, the number of RSU international students has significantly grown, although the growth rate decreased over the last two years. At the beginning of the 2019/2020 academic year there were 2,272 international students at RSU.⁸ Based on the results of the application process, RSU predicts that despite the uncertainty caused by COVID-19, which has created problems for many higher education institutions around the world, the average number of international students at RSU this year will be at least 2,323 and their proportion in the total student number will reach 26%.⁹

Data on student expenses was obtained from the international student surveys. In 2016, 848 international students were surveyed, including 316 RSU students. In May and June 2020 534 RSU students were surveyed.

Figure 10



⁸ IZM. 2020. Overview of higher education in Latvia in 2019.

⁹ RSU. 2020. Statistics and forecasts regarding international students.

In the 2015/2016 academic year the tuition fees for RSU international students were considerably higher than the average in Latvia. This is mainly due to the higher study costs of health and medical study programmes. However, higher tuition fees mean higher income for the university, which consequently means higher salaries and the resources to upgrade academic staff. According to survey data, in the 2019/2020 academic year, when compared with the 2015/2016 academic year, the average tuition fee for international students at RSU increased by 18% reaching EUR 10,722. RSU data shows that in 2020 the average tuition fee at RSU was EUR 10,959. This figure is used in the following calculations.

The increase in tuition fees, combined with the growing number of international students, increased RSU's total income from international students from **14.2m euros** to **25.5m euros** in 2020.

Tuition fees go to the university. Other student expenses go into the general economy. Housing expenses are important in household budgets and are usually differentiated as separate expenditure items. The survey conducted in 2016 enables us to compare the housing expenses of RSU international students and international students of other universities. The findings show that the housing expenses of RSU international students are considerably higher. This is most likely connected with the different international students flows - has many students from the EU and Norway, with higher average incomes, and, thus, the average housing expenses of RSU students are higher.

Like tuition fees, the housing expenses of RSU international students have increased and the contribution to the economy has grown from **6.8m euros** in 2016 to **11.8m euros** in 2020.

Living costs (food, entertainment, local transportation and so on) do not differ greatly if we compare RSU international students and international students of other universities in the 2015/2016 academic year. The increase in the living expenses of RSU international students from **6.3m euros** in 2015 to **10.1m euros** in 2020 is mainly connected with the increase in the number of international students.

Figure 11

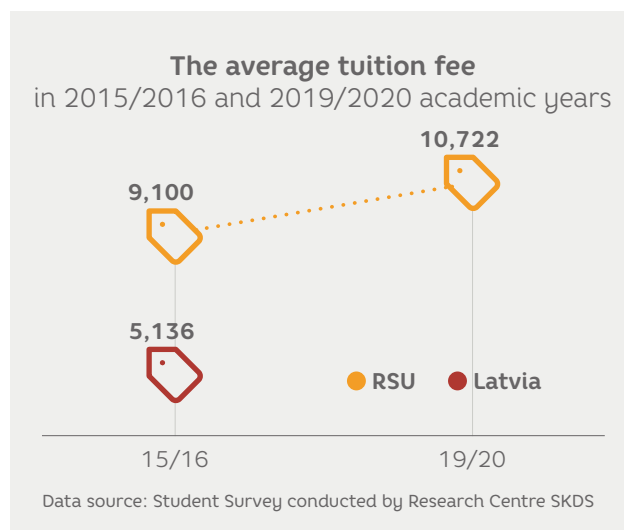


Figure 12

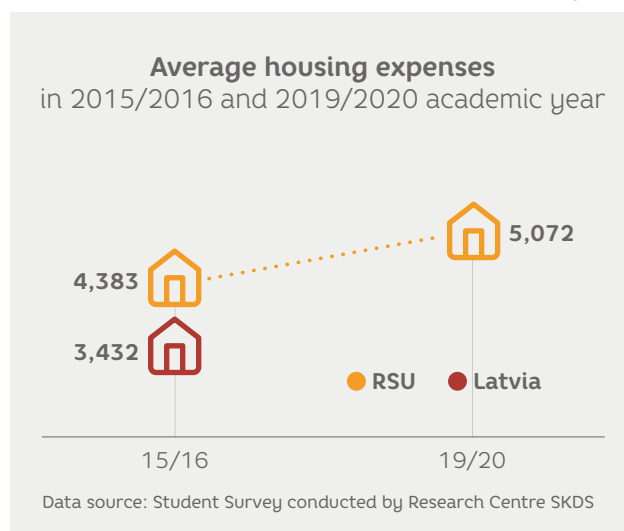


Figure 13

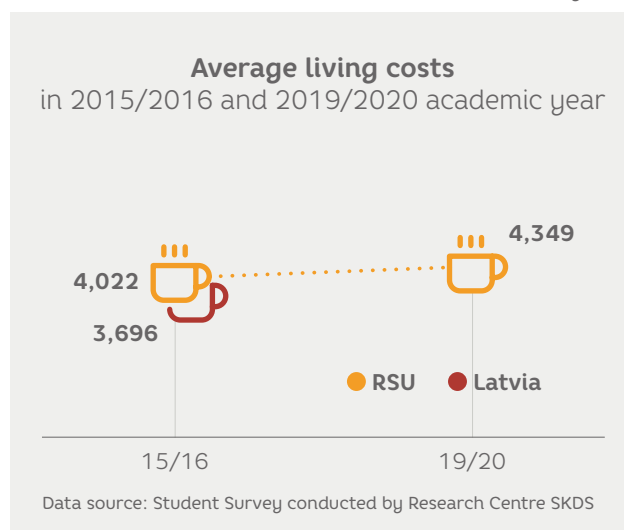


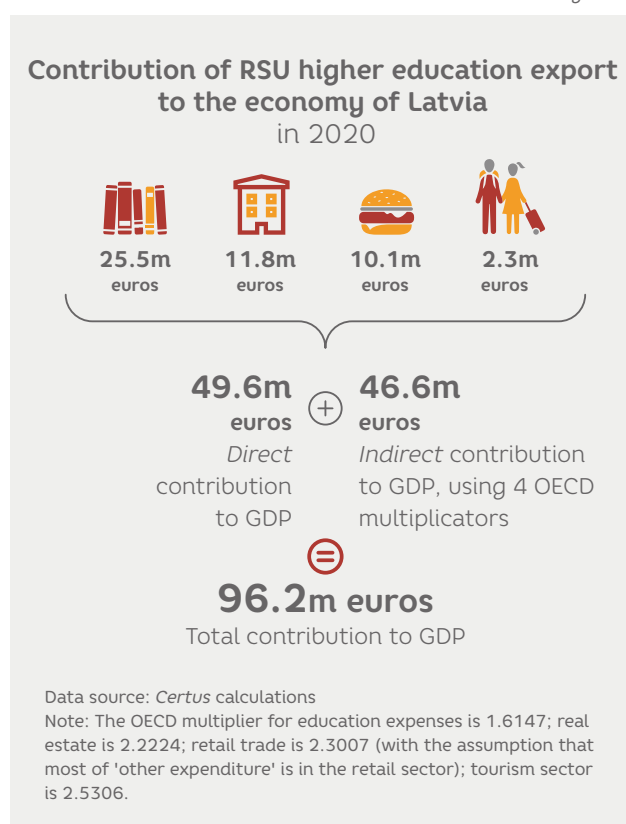
Figure 14

According to the 2020 survey, each RSU international student has 2.93 international guests per year. Had the students chosen to stay at their countries of origin or decided to study in another country, these guests would likely not have chosen to visit Latvia. Students estimated that each of their guests spend an average 332 euros during their stay in Latvia. This amounts to **2.3m euros** per year. For comparison - in the 2015/2016 academic year RSU international students on average welcomed 2.65 guests and these guests spent on average EUR 405, which contributed an additional **1.6m euros** to the Latvian economy.¹⁰

By summing up the tuition fees, housing expenses and living costs, as well as the expenses of the guests, it can be concluded that the export of RSU's higher education services in 2020 will generate a direct contribution to the economy of Latvia of **49.6m euros**.

These expenses will also have an indirect impact on the economy that is linked to the additional consumption generated by the income of businesses and residents from the direct expenses of the international students. Multipliers from four economic sectors (education, real estate, retail and tourism) are used to calculate this indirect impact. Calculations show that in 2020 the direct expenses of RSU international students and their guests will create an indirect contribution of **46.6m euros** to GDP, which together with the direct impact will generate a contribution of **96.2m euros** to Latvia's GDP. For comparison, during the 2015/2016 academic year the total contribution of RSU international students to Latvia's GDP was **56.7m euros**.

The 2016 and 2020 survey data also enable projections on the contribution of RSU's higher education export on the economy over a longer period of time from 2015 to 2020.¹¹ This amounts to almost 460m euros or, on average, 77m euros per year. However, using the data of the latest student survey and estimates on the potential future number of students, it is also possible to estimate the future contribution of RSU international students to Latvia's economy. According to these projections, by 2024 RSU will have 2,834 international students (+22% compared with 2020) and increased tuition fees will



reach 11,104 euros (+1%), which would then increase RSU's international students' total contribution to Latvia's economy to 118.1m euros (+23%). As a result, between 2021-2024 Latvia's economy will receive an additional **438m euros** due to RSU's higher education export.

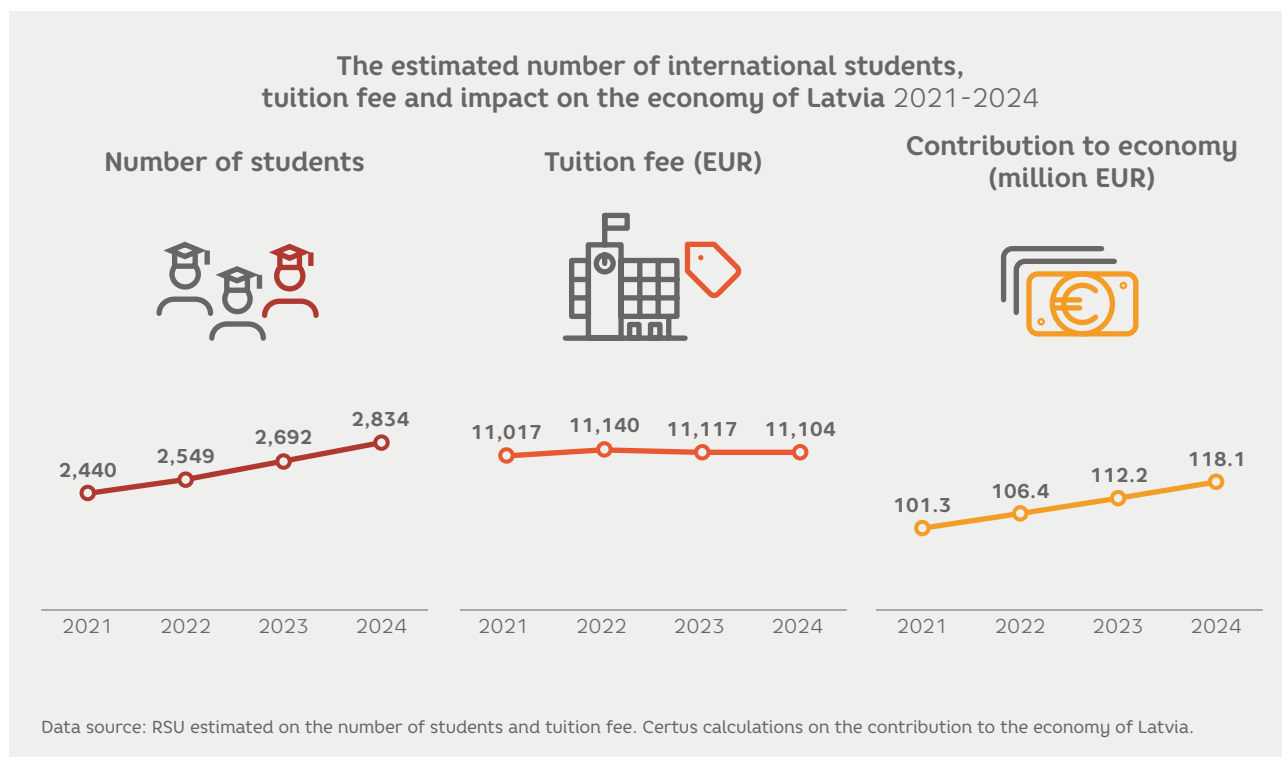
The findings of the student survey can also provide additional information on other economic indicators. First, the funding sources for the expenses of almost all RSU international students come from abroad (84% of respondents pay for their studies from personal, or family savings), which has a positive impact on Latvia's balance of payments. Second, a large proportion of the student expenses are taxed. Since tax revenue accounts for about 31% of GDP, in 2020 RSU international students will pay at least 15m euros into the national budget.¹²

¹⁰ In the survey conducted in 2016 the number of valid responses were not sufficient for RSU international students to be separated as group. Therefore, an indicator of all international students studying in Latvia is used in the calculations. It should be noted that during both surveys, students assessed the consumption of others, and it cannot be done with complete accuracy.

¹¹ In order for the assessment of students on the expensed during 2016/2016 and 2019/2020 academic years to be applied to the period between the two surveys, consumer price index is used, and each of the estimates based on the data collected in the various surveys is given the same weight.

¹² European Commission. 2020. Country Report Latvia 2020.

Figure 15



Finally, employment and production ratios in different sectors of the economy can be used to determine the impact of international student spending on employment. According to *Certus*' 2016 report, spending of one million euros creates approximately 22 jobs. According to these calculations, the direct expenses of RSU international students and their guests in 2020 reached 47.3m euros. Thus, RSU's international students

created 1,040 jobs.¹³ Theoretically, international students themselves could become involved in the local labour market during their studies and after graduation. However, the findings of the survey show that only 3% of RSU students combine their studies with work. Only 0.2% of the respondents plan to look for their first job in Latvia after graduation.

¹³ This assessment is based on calculations that characterise the economy as a whole. In order to determine how RSU students impact the employment at the university, the related suppliers of services and goods, a more detailed analysis must be conducted and the production process of the involved companies should be studied.

RECOMMENDATIONS

1.



Higher education and science play an important role in the national economy. This means that each university has its role and place. Rīga Stradiņš University is the leading institution of higher education export in the Baltic States and the leading healthcare and medicine university in Latvia. A centre of excellence for healthcare human resource education and continuing education, science and research should be established at RSU.

2.



Research universities should be recognized as separate strategic units with the aim of achieving international excellence in education and science. Each research university should be regulated by a separate law, providing rights and obligations, study and science tasks, localisation of territorial development centres and should be allocated resources within the National Development Plan as a separate budget expenditure item.

3.



Higher education and science export should be supported with national budget spending or the allocation of EU funds in order to attract international students and create high value-added jobs, as well as to provide the necessary skills and competencies in the Latvian labour market. The National Development Plan provides for activities for the long-term support of the economy, giving priority to export companies able to compete in international markets. Similarly, in higher education and science priority should be given to higher education and science institutions with export capabilities and the ability to compete in international markets.

4.



In the upcoming 2021-2027 planning period, RSU intends to increase its digital training capabilities and competences. However, it is not possible to ensure high quality studies in the field of healthcare and medicine remotely and without interaction with patients. Universities and clinical university hospitals such as the Riga East Clinical University Hospital, Pauls Stradiņš Clinical University Hospital, Children's Clinical University Hospital should be gradually integrated for a more efficient use of human resources, infrastructure, administrative and other resources to achieve economic, higher education and scientific aims.

AUTHORS

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Uldis Spuriņš is a lead researcher at Certus since 2017. He studied at Fordham University, the University of Southern Denmark (*Syddansk Universitet*) and the University of Latvia, taught economics at City University of New York (CUNY) and Fordham University. After returning to Latvia he participated in the development of the Latvian Sustainable Development Strategy until 2030, and prepared economic research for various companies and governmental and non-governmental organisations. While working at *Certus* he has developed reports on health, pharmacy, industrial and ICT sectors.

Toms Baumanis is the Vice-Rector for Administration and Development at Rīga Stradiņš University (RSU) and a lecturer at RSU Health Management Teaching Staff Group. Previously, a lecturer at the Faculty of European Studies. T. Baumanis studied at the University of Latvia, where he gained a master's degree in social sciences (1995). In 2008 T. Baumanis earned an MBA degree (Master of Business Administration) at Riga Business School. T. Baumanis has received a number of important national awards. In 2007 he was awarded the Order of Viesturs, in 2011 - the Cross of Recognition and in 2015 - the Certificate of Appreciation of the Prime Minister of the Republic of Latvia for significant contribution to the development of higher education in Latvia and for achieving the goals of Rīga Stradiņš University.



Latvia's economic growth can only be achieved through joint efforts. *Certus Think Tank* engages with entrepreneurs, researchers and public sector decision-makers to generate ideas to drive Latvia's economic growth, balancing the principles of a liberal market economy with focused state support for the development of Latvia's most competitive economic sectors.

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