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Higher Education Management and Policy

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Higher Education and the Spectre of Variable Fees: Public Policy and Institutional Responses in the United States and the United Kingdom*

by

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John Aubrey Douglass, University of California, Berkeley, US

As part of a larger effort to fund public universities, variable fees at the graduate and undergraduate levels are a topic of discussion in the United States and increasingly throughout the European Union. This essay describes the relatively new shift to have students pay for a significant portion of their university education, emerging fee structures, and discusses the possible policy implications of variable fee structures. We argue that emerging cost-sharing fee policy in the United States and in England is being pursued incrementally, without an adequate conceptual model for long-term funding of universities and their possible impact on students and academic programs.

On both sides of the Atlantic, public higher education faces similar challenges in how to maintain and expand access to high-quality tertiary education at an affordable cost to students and their families. These challenges undermine assumptions about the cost of higher education that were based upon conditions prevalent during the generation following the end of the Second World War, when access to higher education could be made available at little or no cost. The costs and implications of mass access to higher education were rarely considered, whereas today the issues of cost, quality, and access drive public policies.

While there is a continued recognition of the need to expand access to higher education as a means to bolster socioeconomic mobility and egalitarian values of democratic nations, and as an essential ingredient for economic competitiveness in the global community, the old paradigm of universal low tuition is a matter of debate for four reasons.

- At current tax levels, governments can no longer afford to be the primary or nearly sole source of revenues for public higher education, and market-related solutions to funding seem inevitable. These solutions are assumed to create efficiencies and other advantages in more fully integrating higher education institutions (HEI’s) into local and national economies.

- Fee income will need to be an increasingly large component of the funding of higher education to replace declining government/taxpayer subsidisation.

- The expanded responsibility of private/individual funding of public higher education assumes that there are both private and social benefits of higher education.

- More robust need-based financial aid programs and tax policies will mitigate economic barriers to a college or university education and avoid the current benefit transfer from low- to high-income families created by universal low tuition.

For those in public higher education, there is a sense of irony and loss in this contemporary paradigm shift in the funding of universities. It is generally recognised in the halls of government and in rich and poor communities that access to higher education of high quality is an absolutely essential building block for the egalitarian ideals of Western democracies. Access to and the products of HEI’s are widely acknowledged as vital to national prosperity. But
for the past two decades, institutions once chartered by government and funded and built to serve local and national purposes are now the subject of dis-investment by those same governments.

The era of robust public funding for HEI’s, in large part to keep the cost to students extremely low, is over. The causes of this dis-investment include increased competition for tax revenues, rising operating costs, the sheer weight of funding expanding enrollment, and, to some extent, decreased confidence in the contemporary organisation and leadership of HEI’s. Market incentives are politically attractive simply because they are a means to address these other concerns.

It appears that there is little chance for a return to a political culture that supports large-scale public investment in higher education. Given these circumstances, the following essay explores the initial and potential roles of fees in funding higher education focused on the United States and within the United Kingdom, and specifically in England where a new fee regime will be instituted in the fall of 2006.

While most of the rest of Europe remains politically tied to the post-World War II move to free universities as part of a larger effort to expand access and increasing participation rates, many, including Germany, are beginning to consider a greater role of fees. They are, in essence, at the threshold of a new reality – the need to bolster and diversify the sources of investment in higher education key for national economic competitiveness and for socioeconomic mobility. In the area of finance, and also in curriculum and other organisational aspects symbolised by the Bologna Agreement, there appears to be a general process of policy convergence. More then ever, nations can learn from each other.

This essay deciphers a few near- and long-term policy trends and possible options, informed by activities in the United States and England. One goal is to provide a sense of the current American and UK markets and the array of pricing at the institutional level. Another goal is to discuss a framework for rationalising the respective roles of fees, government subsidies, and other sources of funding in providing the costs of instruction – a discussion that is ongoing but needs a larger policy framework and additional analytical work.

Public higher education is in essence adopting aspects of the independent (private) higher education funding model long practiced in the United States – the high fee and high financial aid paradigm. However, it must also adapt this model to reflect the broader responsibilities of public HEI’s. Fees are likely to be moderate rather than high, financial aid will be largely need based, and it is likely that the growing array of differential fees (among campuses, professional programs, and degrees) will be more restrained than in the independent model.
Comparisons of higher education arrangements in the United Kingdom and the European Union with those in the United States are fraught with difficulties. US higher education comprises 50 different systems, each with substantial variations. The United States also presents a greater diversity of institutional types and missions. Perhaps most notable are the co-habitation of a robust mix of public and independent (private) colleges and universities and large and varied community and vocational college systems funded at the local level.

Independent (private) institutions have striking differences in their geographical representation. In New England and Pennsylvania, they enroll more students than does the public sector, while in the American West (which has the most significant projected increases in population), some 85 to 90% of all students are enrolled in public HEI’s.

In the United States, multi-campus public systems of higher education dominate enrollment and serve as the primary access point for lower-income students. In many states public universities and colleges (four-year and two-year) have been placed under a single governing board to enhance coordination and facilitate transfer. There are often formal matriculation links between institutions, particularly between community colleges and state universities. In California, these agreements have existed since 1910; more commonly, these types of agreements were part of states’ efforts to reorganise HE in the post-World War II era.

In contrast, few tertiary institutions within the United Kingdom and Europe, whether the university or technical schools and further education, are linked in any coherent way – e.g. in governance or in matriculation agreements. They function largely as independent entities, linked only by shared funding mechanisms and mandates from ministries.

These constitutional and organisational differences will result in different responses to public policies on higher education. Because there is a convergence in overall national goals for higher education, however, some striking similarities are also likely. These similarities are linked to the following issues:

● Expanding access

In both the United States and the United Kingdom there are goals to expand access to “underserved”, or, in American lexicon, “underrepresented”, groups. Both terms express the idea that all segments of society should participate in higher education in some general proportion to their numbers in society. In the United Kingdom the focus is largely on economic class and only marginally on race and ethnicity; in the United States the focus is largely on race and ethnicity (Douglass, 2005a).
Continued reliance on public institutions

On both sides of the Atlantic, publicly funded and chartered institutions are, and will be for some time, the primary vehicles for expanding access. America has a wide variety of institutional types, public and private, not-for-profit and for-profit. But the publics still account for approximately 76% of current enrollments, with 40% of students enrolled in a four-year public university.

Independent institutions – for instance Harvard, Stanford, and MIT, but more ubiquitously in small colleges with less visibility – enroll approximately 20% of all students. For-profit institutions account for 4% of all tertiary enrollments and may well expand their market share, but the public sector will continue to be the focus of efforts to expand access. To an even greater degree in the United Kingdom and continental Europe, the public sector will necessarily be the main locus of new capacity.

In both the United Kingdom and the United States, demand for tertiary education will continue to expand. In the United Kingdom, growth is a result of rising demand within the population and government mandates to increase access. In the United States, growth is based on these same factors, but in addition demographic factors, fueled by immigration, will create a projected increase in high school graduates of 30% by 2010. Moreover, these demographic pressures are concentrated in a few regions, such as California, Texas, Florida, and parts of the East Coast metropolitan corridor; at the same time, other regions such as the northern Midwest and the Great Plains will encounter population declines.

A new funding paradigm

While being held accountable for expanding access in general and for meeting the special needs of underrepresented groups, public institutions have also faced a serious decline in per-capita student support and have begun to imagine and seek funding alternatives. Thus far, one might argue that higher education institutions and their leaders have been relatively cautious in confronting this new reality, for three reasons.

One, government has initiated this paradigm shift and continues to set the general parameters for such alternative income sources as tuition and fees. In the United States, private donations contribute significantly to the capital budget and to specific programs, but frequently these contributions result in a proportionate reduction in state support.

Two, while the public is generally ambivalent about government decreasing its investment in tertiary education, increases in fees have provoked public resentment. There are legitimate and important concerns about how the fees will decrease access for the economically disadvantaged, but most popular concerns seem to be based upon the assumption that low tuition is
a general entitlement. Much of the public criticism is directed at the higher education community, with an increasing focus on the need to lower costs and to make the kinds of innovations that have radically altered the cost structures of other services.

And three, any aggressive advocacy for higher fees may, in turn, further erode government’s commitment to subsidise higher education. It is hard to imagine how an alternative system would work, and if it could ever be preferable to the model of high state subsidisation that gave rise to mass higher education. There will need to be a more careful and specific discussion of the appropriate relative contributions of individuals and their families and of the state to the cost of higher education and, accordingly, a more compelling consensus on the balance between the individual private gains and the broader social advantages of mass higher education.

These issues are being addressed both at the institutional level from a micro-economic point of view and, at the state or national level, as matters of macroeconomic public policy.

**Institutional considerations**

Public universities clearly face a set of new questions. What should be the relative role of tuition and fees in funding the higher education enterprise? What is the elasticity in pricing when combined with a financial aid program that can maintain or possibly enhance affordability for lower- and lower middle-class students? What would a socially responsible moderate-fee and high-financial-aid model look like?

In the United States, state governments and higher education institutions are backing into a higher tuition policy in an incremental fashion, but over the past decade the magnitude of these changes has amounted to a structural shift in responsibility for higher education. There is a clear pattern of declining state investment in HE during economic recessions, accompanied by sharp increases in fees approved by lawmakers and ultimately supported by higher education institutions. In California and several other states, increases in tuition have not fully made up for the overall decline in state resources (see Figure 1).

In the United Kingdom, this shift is more explicit and abrupt. The 1997 decision to re-establish tuition as it existed in the pre-World War II era, and now to raise it to a cap of GBP 3 000 until 2010, is rationalised as a stopgap for declining state funding on a per-student basis. Why GBP 3 000? One might venture that the figure has more do to with a sense of what might be politically acceptable than, for instance, a long-term finance model carefully calibrated to ensure affordability while increasing enrollment capacity and maintaining quality over the long haul.
Pricing, affordability, and access – What we think we know

There is a great need for research on the relationship between tuition levels and affordability and access. There are very few studies focused on micro-economic questions related to pricing and student (consumer) choices in higher education, though we can make a few generalisations on patterns of behavior in the United States.

While fees have risen for both public and private higher education, demand and enrollment have also increased. For example, in Texas the fees for in-state residents increased by 60.1% in a ten-year period, 1987-1997, while enrollment grew by 15.7%. Fees increased 57.2% over the same decade in North Carolina and 44% in Illinois; enrollment increased in those states by 18 and 20.6%, respectively. Nationally, the number of students attending a public four-year institution increased by 47.6% while enrollment grew by 11% (Hoffman, and Geddes, 1998).

Among all ethnic and socioeconomic classes, college-going rates have increased at approximately the same pace (Heller, 2001). At the same time, student debt has increased. The net cost of attending a college or university is also taking a larger share of family income and at a disproportionate rate. One estimate indicates that the net cost of attending HEI’s (fees minus financial aid) absorbs some 38 and 45% of the total income of families and individuals in the lowest and second-lowest income quintiles. Families in middle, fourth,
and highest income quintiles devote only 30, 20, and 14% of their family income, respectively, to college costs (Heller, 2001).

In short, higher education in the United States has become less affordable, but not unaffordable, for most Americans. Figure 2 provides data of what students actually pay, after discounts from financial aid. Need-based grants from federal, state, and institutional sources have helped to mitigate the impact of higher tuition – despite a real decline in the federal need-based grants relative to the increase in HE fees. The growth of a substantial information industry designed to assist families and individuals in their decision to attend a university, and indeed to choose from among several options within higher education, suggests that college choice is an active, informed, and competitive process.

Certainly, there is a wide public consensus that the current cost of going to college outweighs the price of not going to college. In the United Kingdom and in the United States, the wage differential between college graduates and secondary school finishers continues to grow. Interestingly, however, in the United States, the wages of those with only a secondary or lower qualification are indeed declining, but graduates with a bachelor’s degree are not making more money (after adjusting for inflation).

Rising fees are also accentuating the tendency for students from more affluent families to congregate at the higher-priced and most prestigious

Figure 2. Percentage breakdown of US average fees paid: full-time undergraduates at four-year higher education institutions, 2003-04

colleges and universities, both publics and independents (Astin and Oseguera, 2004). Recent trends in the United States indicate that college-going rates, while not declining, are stagnating. Sharp and recent increases in public HE fees might be part of the story, but there are also more serious underlying causes. These may include a dramatic rise in the nation’s immigrant population, increased poverty rates, and, for the first time in over 50 years, actual declines in high school graduation rates.

It is perhaps not an overstatement to say that we are entering a new era of moderate or high fees without a strong sense of what may transpire. Thus far, fee increases in the public sector in the United States have been relatively small when adjusted for inflation. Much Congressional criticism of increased tuition has stressed the impact on middle-income families of a reduced entitlement. But what happens if fees jump sharply?

**Authority and trends in differential fees: United States and England**

This shift toward the greater role of fees as a source of institutional revenue has also raised important issues of authority and autonomy. In England and in most states in the United States, public institutions are acquiring greater responsibility for setting fees within certain limits. Governments continue to set politically determined maximums, and most or all fees are retained by the institution. (Hauptman, 2001) There remains, however, great variability in the United States in the authority to set and retain tuition. There are differences among states and among the institutions in a state – for example, between a state’s flagship campus and its community colleges. Thus far, no state in the United States has seriously considered incorporating a graduation tax in the form first established in Australia and now planned for England in 2006.

Prior to the current shift in tuition policy and authority, most public institutions charged either nothing or a relatively modest flat fee for all students – undergraduates, graduate students, or professional degree candidates. Low tuition was viewed as the most effective means to lower economic barriers to attending a university. A flat fee (or the lack of differential fees) also insured or reduced potential biases in a student’s choice of subject and degree preference. A student’s academic abilities and interests were expected to guide the choice of subject at a time when, at least in the United States, salary differentials among professions were relatively small. Since low tuition was made possible by tax-based subsidies, differential rates were established for non-citizens, i.e. out-of-state students and foreign nationals.
**United States**

In the United States, the first major break in this across-the-board low-fee policy came with the introduction of specific and higher tuition levels for professional degrees following the lead of many independent institutions (see Table 1).

Four factors have influenced this shift. First and foremost is the increased private benefit afforded to the student with a professional qualification. It is assumed that graduates of these programs will make a sizable income over their professional careers and can therefore afford the higher initial cost (investment) in their university education. The second factor is the higher cost of maintaining the program, including rising costs in some professions for recruiting and retaining faculty. The third factor is the opportunity costs for the institution in lucrative fields in which fees more than cover costs. The fourth factor is the greater self-sufficiency of professional programs, which may permit cross-subsidies of public funds to programs for which alternative revenues are unlikely.

In the United States, we can compare the differential fee structures previously established by private institutions to the emerging variability in the public sector. From a sample set of public and independent research universities with highly selective admissions, it is possible to draw some conclusions about differences in tuition policies.

- **Independent – High fees across the board**
  Independent institutions have long charged extremely high fees when compared with their public competitors, but in the private sector there are only small differentials between undergraduate students and graduate students in liberal arts and science fields, and fees are only marginally higher for professional degrees. Differential tuition among independent institutions is also much less than that among similar public universities. The most prestigious independent colleges have long sought a national pool of applicants and see themselves in competition with each other for that pool, whereas most public institutions regulate the proportions of undergraduate students admitted from out of state.

- **Growing differential rates at public institutions**
  Public universities have established marginal differentials in tuition between undergraduate and graduate students but much higher rates for professional programs. It is clearly more politically acceptable to raise fees in professional schools because of the perceived private benefit to the student. Concerns about the effects of tuition levels on access do seem to focus almost exclusively on undergraduate fees.
Table 1. **Differential fees among a sample group of public and private universities: 2003-04**

<table>
<thead>
<tr>
<th>PUBLIC sample</th>
<th>UG</th>
<th>Graduate</th>
<th>Dentistry</th>
<th>Medicine</th>
<th>Optometry</th>
<th>Pharmacy</th>
<th>Veterinary medicine</th>
<th>Law</th>
<th>MBA</th>
<th>Masters nursing</th>
<th>Theatre and film*</th>
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<td>Ohio State University-Main Campus</td>
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<td>7 278</td>
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<td>11 922</td>
<td>236/cred.hr**</td>
<td></td>
<td></td>
<td>10 098</td>
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</tr>
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<td>University of Wisconsin-Madison</td>
<td>5 136</td>
<td>7 590</td>
<td>21 755</td>
<td></td>
<td>10 128</td>
<td>15 853</td>
<td>9 554</td>
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<td></td>
<td>7 592</td>
<td>8 932</td>
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<tr>
<td>University of Virginia-Main</td>
<td>6 149</td>
<td>7 856</td>
<td>22 486</td>
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<td></td>
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<td></td>
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<td>4 577</td>
<td>9 210</td>
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<td>Public sample average</td>
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<td>$8 369</td>
<td>$17 462</td>
<td>$20 542</td>
<td>$11 865</td>
<td>$11 347</td>
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<td>$16 629</td>
<td>$14 876</td>
<td>$4 945</td>
<td>$7 666</td>
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### Table 1. Differential fees among a sample group of public and private universities: 2003-04 (cont.)

<table>
<thead>
<tr>
<th>PRIVATE sample</th>
<th>UG</th>
<th>Graduate</th>
<th>Dentistry</th>
<th>Medicine</th>
<th>Optometry</th>
<th>Pharmacy</th>
<th>Veterinary medicine</th>
<th>Law</th>
<th>MBA</th>
<th>Masters nursing</th>
<th>Theatre and film*</th>
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<tr>
<td>Cornell-Endowed Colleges</td>
<td>28 754</td>
<td>28 680</td>
<td>31 085</td>
<td></td>
<td></td>
<td></td>
<td>19 150</td>
<td>33 020</td>
<td>32 800</td>
<td></td>
<td>30 062</td>
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<td>14 244</td>
<td>9 558</td>
<td></td>
<td></td>
<td></td>
<td>20 728</td>
<td>17 900</td>
<td>16 750</td>
<td></td>
<td>34 910</td>
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<td>29 710</td>
<td>34 010</td>
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<td>27 208</td>
<td>33 142</td>
<td>34 776</td>
<td></td>
<td></td>
<td>32 392</td>
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<tr>
<td>New York University</td>
<td>28 496</td>
<td>25 384</td>
<td>44 000</td>
<td>33 500</td>
<td></td>
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<td>900/cred.hr</td>
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<td>36 173</td>
<td></td>
<td></td>
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<td>32 525</td>
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<td>University of Chicago</td>
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<td>32 754</td>
<td>36 520</td>
<td></td>
<td>***</td>
<td>32 235</td>
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<tr>
<td>University of Pennsylvania</td>
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<td>29 790</td>
<td>44 104</td>
<td>37 888</td>
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<td>27 156</td>
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<td>University of Southern California</td>
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<td>49 587</td>
<td>37 076</td>
<td>29 420</td>
<td></td>
<td>33 252</td>
<td>33 800</td>
<td></td>
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<tr>
<td>Yale University</td>
<td>28 400</td>
<td>25 600</td>
<td>34 175</td>
<td></td>
<td></td>
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<td>33 850</td>
<td>31 500</td>
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<tr>
<td>Private sample average</td>
<td>$28 191</td>
<td>$28 224</td>
<td>$42 708</td>
<td>$31 779</td>
<td>$0</td>
<td>$29 420</td>
<td>$23 163</td>
<td>$31 765</td>
<td>$32 058</td>
<td>$22 425</td>
<td>$51 819</td>
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</tbody>
</table>

* Tuition only found for 2004-05 year; significant additional costs often apply to film students.
** MBA program length varies from 32-59 credit hours depending on business background.
*** Uses partner institutions that bring nursing degree programs to campus, mainly for their staff (RN/BSN).
NP No such program offered at the institution.
Fee differential among states, particularly at the professional degree level, is also significant and in sharp contrast to that in our sample group of private universities. Most public universities still enroll the majority of their undergraduate students from the state that established and funds the institution, but at the graduate level, they seek a national and international pool. While there is increasing interest in looking at the comparative fees both in other states and at private institutions, the political dynamics of setting tuition remains a matter of state policy. Consequently, there are great differences in professional school tuitions, particularly in business.

- Profit versus loss centers

Public universities on average have also established a greater array of professional programs. Many of these programs are linked to local social and economic needs that are valued highly by key political constituencies. Many, like nursing and library science, have high costs but relatively low private benefits.

Since for-profit institutions also strategically avoid degree programs that will not generate significant profits, this dilemma is compounded. The public sector has responsibility to provide these programs and evolving fee schedules must confront issues of cross subsidy. Of course, potential profit centers within public universities, such as business, seek to control their own fees and the resulting revenue.

Under the policies currently being debated in the United States, the United Kingdom, and elsewhere, there is the prospect of fee differentials between undergraduate and non-professional graduate-degree programs and, in the United States, even among levels of instruction. A number of states require higher fees for students who take more courses than are required to graduate, and there are a growing number of proposals to charge higher fees for students who take longer than the normal time required to complete their degree.

These emerging tuition policies must also be viewed in relation to the changing role of financial aid in private and, increasingly, in public institutions. Only some students actually pay the full fee rate – the so-called sticker price. Financial aid, in the form of need and merit-based grants and loans, as well as the more recent advent of tax tuition credits, alters the actual price of higher education. Both private and public universities redistribute fee income as institutional financial aid.

On average, public four-year institutions route approximately 20% of all fees into financial aid; some devote as much as 33% to financial aid. A class of students may resemble the passengers of an airliner in the variability of payments they have made for the same service.
The privatisation movement and the relatively new market thrust of public universities means that the differential fees between public and private institutions, and among the undergraduate and graduate and professional levels, will likely decrease in coming decades. The push by institutions to increase revenue via tuition will be significant.

If the average tuition fee of the sample group shown in Figure 3 were to increase to approximately 75% of the private sample group, the undergraduate sticker price (not counting financial aid offsets) would be just over USD 21 100 – an increase of over USD 14 000. At the graduate level in non-professional fields, the increase would be similar, just over USD 13 000.

In a professional program like pharmacy, the tuition rate at a public university would be USD 17 200 – an increase of over USD 5 800; in nursing, the fee level would be USD 16 800 – an increase of USD 11 800; in medicine, USD 23 000 – an increase of only USD 3 000 and reflecting the one field where public and private fees are converging; and law would be nearly USD 24 000 – an increase of approximately USD 8 000. Among our sample group of private institutions, none offer optometry, one of many fields in which the comprehensive public universities offer programs required by society but are generally not lucrative for an institution.

If this is the future route of public higher education, an important question is how this will affect the market – specifically, access and opportunities for

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**Figure 3. United States public as a percentage of private variable fees:**
**sample group of public and private universities, 2003-04**
students and their families from lower- and middle-class and disadvantaged backgrounds. There is evidence that robust financial aid programs can offset the potential negative effect of higher fees at the undergraduate level. For example, the University of California's experience with raising fees in the early 1990s did not result in a reduction in demand or in a discernable decline in access by lower-income groups, in part because for each dollar raised through fees, USD 0.35 was placed into an expanded financial aid program. (The average among US universities is about USD 0.25 for each dollar raised via fees and tuition.)

**England**

While fees for graduate programs, particularly in business, have been charged for some time in EU institutions, the United Kingdom, particularly England and Wales, is the first member to set on a national course of variable fees at the undergraduate level. In 1997, the Labour Government adopted the recommendation of the Deering Committee to initiate a GBP 1,000 fee for all students (Deering, 1997). Under the 2004 HE Act passed by Parliament, beginning in September 2006 universities and further education (FE) colleges are allowed to charge full-time students up to GBP 3,000 for a course.

There are some 122 universities in England. FE colleges are local institutions that thus far serve primarily for preparing students for A-Levels and for providing vocational degrees and credentials, but many now offer a growing number of "higher education" courses leading to the new Foundation Degree (given in conjunction with a particular university) or other degree form. More than 40 FE colleges offer formal higher education courses leading to a degree or credential.

The proposal by Prime Minister Tony Blair to increase fees, as part of a larger government attempt to increase funding for higher education, caused great consternation in England and within the Labour Party itself. New Labour was essentially further departing from its historical ideological roots by embracing the idea of markets, student fees as a more substantial income source for England's financially starved higher education sector, and new accountability schemes. England would be further distancing itself from the higher education funding norms found in most of Europe, where universities by and large remain free (for how long?), and even distancing itself from UK member Scotland. Under devolution, Scotland has set a distinct path of charging no fees yet also offers to needy students loans that can be repaid later.

The deciding vote in Parliament was narrowly won; its defeat would have forced a premature election for Blair. As in the United States, but with a significantly deeper passion for maintaining key elements of the welfare state, the concept of increasing the financial contribution of students and their
families to their university or college education is a political paradigm that is new and worrisome to many. How will this fee structure influence access by England’s lower classes and minorities? And more specifically, how might it influence the Labour Government’s goal of having 50% of all 18 to 30 year-olds entering higher education by 2010? The current rate is approximately 43% (depending on how one counts).

Labour recognised that higher education needs an infusion of funding in part to maintain or increase quality and to provide the sector with the ability and incentive to grow in enrollment capacity. In earlier policy debates, government ministers contemplated setting the new fee limit at GBP 5 000. The compromise with critics within the party and in Parliament was not only to lower that amount to GBP 3 000 but to also create a differed, post-graduate repayment plan. Students will be able to defer these “top-up” fees by applying for a student loan from the national government rather than paying the fees in advance. The student loan is repayable directly to government via the national income tax system, and only when the graduate starts earning more than GBP 17 000 a year (recently raised from approximately GBP 15 000). This loan will charge no interest and will increase only with the rate of inflation. Graduates will repay at a rate of 9% of their income above GBP 17 000 until the loan is fully paid. Currently England has among the highest university graduation rates leading to the assumption that most students will relatively quickly gain employment and the ability to pay their loans.

The net effect of the top-up scheme is that some students will pay in advance (those whose family can afford to), while others will choose to load the full cost on themselves. The HE Funding Council for England (HEFCE) anticipates that some 30% of students will qualify for the full grant and more than 50% will qualify for at least part of it. “So someone earning GBP 20 000 a year will only have to repay GBP 8.65 a week, or someone earning GBP 25 000 a year will only have to repay GBP 17.30 a week”, explained higher education minister Bill Rammell in June, 2005. The government plans a GBP 3.5 million television and radio campaign to explain the new “top-up” fee system – clearly intended to inform and alleviate criticism and reported confusion among lower-income students (Crace and Smithers, 2005).

Under Blair and the advocacy of Charles Clark, then head of HEFCE, the Labour Government moved ahead with its variable-fee plan. One major assumption is that this new quasi-market (quasi- in that the fee level is restricted to what, in American terms, is a relatively modest level) will create greater competition among public institutions and, as a consequence, greater focus on their mission (e.g. teaching versus research). As required by HEFCE, universities and FE colleges have submitted their planned undergraduate fees and outline of bursaries.
Not surprisingly, virtually all institutions, universities and FE colleges alike, will charge the full GBP 3 000 fee. Why? Among the major reasons are: a) the need for additional revenue in the face of past declines in government investment rates on a per-student basis; b) a sense that under-pricing courses will indicate to consumers that the institution’s product is of lower quality; and c) the general tendency of producers of a relatively highly demanded product or service to move to the highest price the market (or the quasi-market in this case) will bear (Douglass, 2005b). One sees a similar response in the United States HE market, as indicated in Figure 3: Most elite private universities, even without any formal regulatory restraints, charge similar rates and have great similarities in their bursaries (Geiger, 2004).

Figure 4 provides a chart on the fees that will be charged by universities and FE colleges, and the distribution of cash bursaries for students from families who make less than GBP 15 200 in a year—the current threshold for national student loans and grants. Among the 122 universities in England, only eight will charge below the GBP 3 000 limit—although there are a few exceptions for certain courses. Within the FE sector there is a bit more diversity in the planned fee levels. Of the 33 that have reported their plans, 14 will charge below the limit.

![Figure 4. English Universities and Further Education Colleges: fees and planned bursaries for low-income students, 2006-07](source: Universities UK, 2005.)
While there is a relatively uniform response by institutions to setting fees, cash and other forms of institution-based financial support (or bursaries) very greatly. Labour Government policy requires institutions to state their planned fee levels and bursaries intended to offset fee costs for lower-income students (beyond aid offered by the national government primarily for living expenses). The government also requires all institutions to state their strategy for increasing admissions to disadvantaged students and, working with the new Office of Fair Access (OFFA), to set goals. OFFA represents a new regulatory regime intended to hold universities accountable for meeting national access targets. There is a threat that if an institution does not expand access to lower-income groups and fails to meet negotiated targets, HEFCE has the ability to reduce funding as a penalty.

Figure 4 also provides the stated bursaries offered to students on full governmental support (hence in addition to normal financial aid offered). These stated bursaries range generally from GBP 500 to GBP 1,250 at universities and colleges that are moderately selective in admissions, to as much as GBP 3,000 at Cambridge and Oxford, and GBP 2,700 offered by Imperial College.

Under the relatively new rules of devolution (giving regional governments in Scotland and Wales authority in policy areas such as education), Wales will allow its universities to charge up to the GBP 3,000 level as well as beginning in fall 2006, but in contrast to England the government has set a required bursary contribution from each university and college that will then be placed in a central fund and distributed to needy students. Scotland, with a substantially different postsecondary system, remains without fees.

One can imagine that the response of universities and FE colleges in setting their fee levels would have been far more diverse if the fee limit had been set at GBP 10,000 or greater. Indeed, many members of the Russell Group (a self-chosen and loose alliance of fourteen of England’s most prestigious universities) have advocated open-market pricing for their courses. One professed reason is the need for a large infusion of resources so that England’s best universities can compete in the international market for faculty – and in particular, to compete with the Americans (Palfreyman, 2004).

Although the various bursary schemes add substantial complexity to the final outcome (in terms of new revenue generation and influence on access), one possible scenario is that the most prestigious universities, such as Oxbridge will benefit from the new fee structure. With fewer students from low-income families than many other and largely urban universities, bursary distributions would likely be less (even while they offer a full reimbursement to low-income student). Yet this is obviously speculation that must await the outcome of the first year of top-up fees.
Institutional autonomy and public policies

An important question is the trajectory of the variable-fee trends in both the United States and the United Kingdom. In England, many view the GBP 3,000 limit on fees as simply a temporary restraint that will lead to an eventual increase to a figure like GBP 10,000. Already, business schools in the United Kingdom are allowed to charge substantially higher fees that align with European Union and American competitors. At this time, business schools form the only major aberration to the otherwise uniform constraint on fees in the European Union.

In the United States, with similar political and regulatory constraints on what public universities and colleges can charge, the push will be to converge with graduate program fees in the private institutions (fee rates that do not often relate directly to program costs, but to what the market will bear) and to approach undergraduate fees. And yet another variable in the United States and the European Union is the potential growth in international students both in expanding the pool of potential students and, as discussed later, in revenues.

Setting tuition rates is not simply a matter of balancing the revenue sources of HE. The drift to a new fee regime for public higher education raises questions about the appropriate autonomy of HE institutions – who should set tuition levels and determine the use of those revenues. In the United States, largely because of the highly decentralised structure of HE, these shifts to a new fee regime have largely come about as a contingent stopgap response to declining proportionate government subsidisation and to the rising operating costs of increased enrollments. The debate at the national level is largely framed by the increasing demands for student financial aid.

In the United Kingdom, the Labour Government's implementation of its new fee structure offers an alternative to this drift. It frames the problem facing higher education in England, sets out new levels of autonomy for institutions to set tuition, and promises additional funds to increase overall funding on a per-student basis. But this ambitious proposal is still an incomplete solution and the details and possible effects have yet to be fully assessed and determined. Nevertheless, in the United Kingdom the national government has, in effect, taken a bold step: recognising a critical need, offering a long-term scheme, engaging in a public debate, and placing higher education finance front and centre as a major national agenda item. (Ward, 2004) Of course, many in the United States believe that the lack of a well-defined national policy limits the negative impacts of government policies and allows a varied rather than a standardised solution to the problem.

What then are the overall strategic goals of a national/state system of higher education and what funding models are available to policymakers?
● Model 1 – Public vs. Private benefits

Contemporary fee increases in the United Kingdom and the United States are based, in part, on a simple proposition. Since the private benefits of higher education will continue to grow, students and their families should bear a larger burden of the educational costs. As early as 1973 the Carnegie Commission on HE, led by Clark Kerr, offered a structural approach to the funding of public HEI's. By estimating the proportionate public and private benefits of public higher education, the Commission proposed a threefold division of costs: One third of the cost of educating a student would be borne by students and their families; another third by state or local government; and the final third via institutional sources, including federal grants and financial aid support (Carnegie Commission, 1973; Douglass, 2005c).

At that time, around 15% of all operating expenses at four-year public institutions came from fees. Today it is around 20%. The actual public and private benefits of higher education are of course difficult to determine, but this model provides an equitable and negotiable solution to setting fee rates.

More recently, some have argued that private benefits (in terms of lifetime income, socioeconomic mobility and professional status) have increased so that the contribution by students and their families might range as high as 40 or 50%, (Johnstone, 2005). One (among many) difficulties in this model is properly assessing the public versus private benefits a higher education affords for society and an individual. Another problem is assessing the true costs of a student's education. Because universities and their faculty and staff are engaged in an ever-increasing variety of activities – teaching, research, public service, outreach etc. – assessing the costs, and therefore creating a baseline for assessing a student's proper financial contribution, has created considerable debate. As a result, there is no uniform or broadly agreed methodology.

● Model 2 – What the market will bear

An alternative model for public institutions is to charge what the market will bear, while mindful of the need to generate funds sufficient for a robust financial aid program that also draws on institutional, state, and national sources. Proposed HE finance reforms in England essentially follow this model, but have placed an artificial ceiling on tuition: as noted, up to GBP 3 000 beginning in 2006. Generally, the increased acceptance of the market model among public institutions, including differential fees, has prompted government policies that limit the total amount that can be charged – either as a ceiling as in England, or as a percentage change per year.
A true market model, of course, would set no limits. There are many variables influencing the systems to which both the United Kingdom and the United States are apparently drifting. In the United States, fees (sticker price) are set at the state system or multi-campus level, but usually with campus variability, while in England they are to be set at the institutional level. Differential fees have also crept into graduate and professional degree programs. The market model tends to focus on institutional revenue generation, but with little understanding of its influence on student choices and affordability.

- Model 3 – National/International comparative norms

Another model would be to calibrate tuition and fees based on what a comparable group of institutions (within a state, within a nation, and perhaps internationally) charges. This is a competitive model devoid of any larger sense of the relationship of revenue generation to the specific financial needs of an institution, or to its influence on affordability and access.

Yet in the United States, fee policies currently in place at public and private institutions reflect the influence of this model. In the public sector, as state subsidies have declined, decisions on corresponding fee increases are sensitive to the overall percentage increase in fees and the overall decline in total resources generated on a per-student basis. They also actively look at the price charged at other institutions outside of their state – particularly in the New England and Mid-Atlantic States, where there is greater student mobility.

This sensitivity explains the limited variability of fees charged by similar public institutions. Institutions with tuition levels outlying this average often argue that their fees should be closer to the norm. This argument is not based on an actual analysis of revenue needs, affordability, and access suitable for their mission, but rather it is simply one of the few political tools that has some saliency with lawmakers.

- Model 4 – Fees pegged to economic indicators or a percentage limit

Another model widely discussed but rarely applied is to set fees in relation to economic indicators, primarily the cost of living. Fees would rise only in relation to what people could afford.

Many lawmakers and critics of higher education in the United States are partial to this model. They sense that university operating costs and fees at public and private HEIs have been rising too fast, but they also ignore the effects of significant declines in state subsidies for the public sector.

Percentage limits of course ignore the realities of the actual revenue needs of higher education and make large assumptions regarding affordability. The tendency is to start with a base-fee range that, as we have seen, already bears the marks of instrumentalism. The rationality of the model requires
at least an initial fee level based on institutional mission, revenue needs, and affordability. Percentage limits also have another disadvantage: A percentage increase in the relatively small fees of community colleges would generate very little additional revenue, while the same percentage increase in the relatively high fees of an elite private institution would generate large sums.

The political saliency of this model recently gained the favor of a number of congresspersons in Washington who forwarded a bill that would have invoked penalties for any institution receiving federal funds, whether public or private, that raised fees faster than the rate of inflation. A provision in the Affordability in HE Act offered in October 2003 by Rep. Howard P. “Buck” McKeon, chairman of the US House Subcommittee on 21st Century Competitiveness, would have allowed colleges and universities, public and private, to set tuition at rates of their choosing. But beginning in the year 2011, the federal government could remove direct subsidies (such as research grants) to institutions that “repeatedly engage in exorbitant tuition hikes that hurt students and parents”, reflecting McKeon’s belief that the federal government should not be required to endlessly subsidise hyperinflation in college costs. (Affordability in HE Act, 2003) This particular provision failed in 2003. However, some version may again appear in federal legislation as fees, particularly in public institutions, are likely to continue to increase.

Virtually all US HEI’s receive federal funds for financial aid or for research (through agencies such as the National Science Foundation and the Department of Defense). On average, public universities receive approximately 11% of their revenue from the national government; independents (privates) receive around 8.5%.

None of these models are necessarily mutually exclusive, but they all raise serious questions about the inter-connectedness of HEI’s and the need for some simple systematic relationships of tuition among both similar and different kinds of HE institutions. Should new fee regimes focus simply on improving the competitive financial position of individual institutions or, in the case of the United States, multi-campus systems (such as the University of California and SUNY)? Or should they also have as an objective some level of revenue sharing among all or some public higher education sectors in order to subsidise less-affluent institutions, or to help fund national and state financial aid programs?

In England, the current proposal approximates most closely the market model. Each institution will retain all the revenue from what they believe they can charge. We do know that there is elasticity in pricing higher education and greater flexibility than is generally recognised. We also know that strategic
policies will be required to reduce the negative impact of rising fees on less-affluent income groups. Among these policies are:

- Robust financial aid programs that are adequately funded at a level that reduces the net cost to targeted populations. Financial aid programs function best when they are based on transparent policies, administered with direct and simple processes, and based on national standards. Institutional aid is also critical as a supplement to public support, though it is generally offered as part of an acceptance process based on individual student attributes. A national or state-based financial aid system offers more predictable expectations of aid and makes it more likely that economically disadvantaged students will apply and attend a university.

- Gradual increases in tuition in relation to a schedule of long-term financing of public higher education. Abrupt and often last-minute increases in fees create not only “sticker shock”, but also make it impossible for prospective students and families to make financial plans for the cost of their higher education. Some states and several independent colleges have already agreed to set tuition at the same level for the duration of a degree program and restrict increases to each entering class. In recent decades in the United States, the under-representation of the lowest-income quartile of the population combined with the selective racial and ethnic impacts of these trends have been linked to rapid increases in tuition; however, a host of other factors also influence college attendance, including difficulties in understanding increasingly complex financial aid benefits.

A recent survey sponsored by the National Center for Educational Statistics in Washington found that students from all income brackets overestimate the net cost of attending private and public tertiary institutions. However, the problems are particularly acute for students from lower-income families, (Horn and Chapman, 2003).

Student choices, financial aid, and the concept of revenue sharing

Dealing with the politics of increasing fee revenue and incorporating differential fees is a relatively new phenomenon for public institutions. Much of the discourse over fee policy has focused on the need to generate income. Yet an equally important consideration is how various models of differential fees will influence student choices and how fee revenue will be used.

Institutions have tended to engage in internal debates about the overall need to generate new fee income without a broad conceptual idea of the long-term implications or influence on institutional mission.
Student choice – Undergraduate and graduate levels

We know relatively little regarding how changing fee patterns among and within public universities will affect student choices. At the graduate level, the initial movement toward differential fees appears to have a minimal impact on demand – largely because the fields that have incorporated higher fees tend to be in professional areas leading to highly compensated employment and social prestige. Also, within the American market, tuition at publics remains well below the sticker price of most independents (privates). Within our sample group of public and private universities, the differential in law is USD 15 136; in business administration, USD 17 182; and in medicine, USD 11 238.

The availability of financial aid for low-income and underrepresented groups mitigates the influence of fee differentiation on student choices, but there are greater concentrations of students from lower-income backgrounds in public universities, at both the graduate and undergraduate level. Assuming that the fee-level differential between public and private institutions narrows in future years, the opportunity costs could change and influence student choices and opportunities. This response will also depend on the robustness of financial aid to reduce substantially the sticker price and on the transparency of these options to potential applicants.

One might argue that differential fee policies work within the sphere of graduate programs, and specifically in professional degree programs, but that they are not appropriate at the undergraduate level. At the graduate level, particularly in the United States, students are making an informed choice for a narrowly tailored program leading to employment. They are usually adults who have already entered the job market and are returning to school.

At the undergraduate level, students are generally developing their interests and testing and proving their academic abilities. The US model of undergraduate education has long focused on providing new students with a “general education” during the first two years of a four-year program before specialising in a single subject. Within this structure, differential pricing could have a huge impact on student choices. In the United Kingdom and the European Union, students enter the university focused on a single subject. But they too are making their decision on what field to enter at an extremely young age. Differential pricing would also skew student choices, creating market forces that would be heavily influenced by a student’s economic background.

Financial aid and inter-institutional revenue sharing

In order to facilitate the recruitment of underrepresented ethnic and income groups, many institutions in the United States have entered into bilateral
partnerships with high schools, community colleges, and historically or predominantly Black, Latino, or Native American institutions. This process is a kind of revenue sharing of the resources by well-funded universities. Many prestigious independent institutions have used their institutional financial aid as a means to compete for the most academically prepared recruits within underrepresented groups. However, the national impact of these measures is decidedly modest because of the relatively low contribution of these institutions to overall national student enrollment in HE.

Eligibility rules for student financial aid, increasingly questioned on constitutional grounds, have also directed resources to specific sectors of HE. Clearly, in an environment in which fees will contribute an increasing proportion of the revenues of HE, it will be necessary to develop some redistributive mechanisms based on not just public but also institutional resources.

Since the late 1980s many multi-campus university and college systems in the United States have designated at least a portion of each additional dollar in fees for financial aid. The current average is just above 20%. As a result, public institutions are now developing significant revenue streams for institutional-based aid – a model long practiced by private institutions.

Within state public HE systems (in the United States) and national systems (in the United Kingdom), a natural question is how new fee-generated revenue might work into a general scheme of revenue sharing specifically for financial aid. Thus far in the United States, increased fee revenue generally benefits only individual campuses or multi-campus systems. A stated goal of allocating x amount to financial aid for each new dollar charged provides a model for both raising revenues and maintaining affordability by means of a robust need-based financial aid program. This model would help to mitigate the inevitable political opposition to any and all fee increases – by student groups and by those who legitimately worry over affordability and access.

- Campus revenue sharing, or, will the rich get richer?

  Differential fees at the graduate level within public universities are justified by the notion that students should gain less subsidisation for the real costs of their education in fields that promise to provide lucrative compensation. Another motivation for differential fees is the entrepreneurial drive of some academic programs. In areas such as business, academic leaders have clearly set out to generate income above real costs, which is then invested to further academic quality and prestige.

  In regards to the quest for quality and its direct correlate, prestige, the economist Howard R. Bowen famously observed in 1980 that HEI’s would always spend whatever resources they could garner on this quest, (Bowen,
In an age of relatively uniform fee levels, fund generation (whether by state subsidies or fees) and expenditures were highly centralised within a campus administration. The new differentiated fee schemes stress generating and retaining revenue in specific academic departments or schools. This process is not entirely new, as research grants and philanthropic gifts as well as institutional funds are increasingly concentrated in scientific fields and some professional schools. Depending on how an institution approaches the use of differential fees, this uneven distribution of wealth may be significantly accelerated. The natural inclination of units that can charge differential rates is to claim all their revenue as their own. Certainly this is not all bad. As one president of a US university noted recently, “academic empires”, so long as they fit within an institution’s overall mission and direction, characterise the strongest universities: “It’s the innovators and empire builders who create institutional reputation, ensuring their students’ success and their institution’s survival” (Adams, 2004).

Yet an important question remains: what forces exist to create a stronger sense of academic community? Historically, revenue sharing (the idea that resources are centrally controlled within a campus administration or multi-campus system) has allowed for greater strategic placement of resources in academic units – sometimes in units with well-recognised quality or a growing workload, sometimes in areas with potential. This institutional mechanism will remain important to HEI’s in the future. The question is, “What is the appropriate role of differential fees in this process?”

Again, public universities have only recently adopted differential fees. They are often making choices without clear norms or well-scrutinised goals beyond the search for new revenues. Nevertheless, the nature of large and complex organisations, academic or otherwise, is to make choices and create precedents incrementally. With the increasing emphasis on revenue generation to compensate for declining per capita government support, precedent will certainly influence future policies on differential fees. Without a strong commitment to revenue sharing from the outset, increasingly powerful academic units will resist allocations based on shared revenues in their own individual quest for quality and prestige.

Conclusion – Passive to active

At present we have the benefit of good economic models to guide us on issues such as price sensitivity. If public higher education institutions are to move from a reactive to a creative role in the development of new tuition policies, there will need to be a broad public consensus on the appropriate proportionate contributions of individuals and the state to the cost of public HE. A long tradition and experience of low tuition has created a strong sense of entitlement to low-cost HE even amongst the most affluent.
Another critical issue is central to this discussion. What is the level of funding necessary to sustain high-quality academic enterprise? Should funding and fee policy be different among institutions with different missions or strengths? Does HE have the capacity to address allegations of excessively high costs of operation and a reluctance to innovate and experiment with different modes of learning and delivery? We have not attempted to discuss this side of the equation.

One might argue that the decisions governments and higher education institutions come to in this period of fiscal difficulties might very well shape, indeed lock in, a market approach that:

- further divides the wealthy from financially poor public institutions, and similarly accentuates the divide in the socioeconomic background of students;
- creates new market biases in the academic degree programs that students pursue – perhaps accentuating careerism and, for example, a declining demand for the humanities;
- may significantly influence the type of student an institution attempts to recruit – e.g. as is the case already, foreign nationals;
- enhances institutional autonomy, but also may significantly hinder the ability of government to pursue national priorities. National versus institutional goals are, obviously, not always one and the same.

Each of these outcomes can be mitigated if there is a systematic effort to shape and justify a moderate-fee and high-financial-aid model. One might speculate that as differential fee systems develop and mature, they will permanently foreclose on the interest or ability of governments to return to a high public subsidisation model. The same pressures and the same debates are likely to become parts of HE policies for the rest of the European Union, and for other nations in the OECD.

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Monetary Rewards and Competences of Young European Graduates

by

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We use data from a sample of European higher education graduates at early stages of their working careers to provide evidence on the determinants of the human capital competences (talents, skills and capabilities) acquired by young graduates in Education and of those required by the jobs they perform. More than 36,000 graduates holding a first higher education degree were surveyed about four years after graduation (graduates from 1995 were surveyed in 1999). The data set used examines in detail a number of human capital competences of the graduates and their utilisation on the job, as well as the extent to which the graduates consider their position and tasks linked to their educational careers.

Regarding the labour market, both human capital theory, from the supply side, and job competition theory, from the demand side, miss the definition of the links between the competences possessed by higher education graduates and those required by jobs. By looking at realised matches in the labour market, we try to identify those competences associated to graduates’ professional success, as well as their determinants and any possible surpluses and shortages of these key competences and their payoffs. Regression techniques are used to gain insight into the labour-market role of those competences generated or promoted through higher education. The following research questions are addressed: What competences are more demanded by jobs performed by young graduates? Do graduates’ competences match those required by their jobs? How are competences rewarded in the labour market?
Introduction

Competences, understood as those skills, talents and capabilities of higher education graduates that contribute to multi-factor productivity gains, are perceived as a key element for sustainable economic growth and development in the globalised economy (Romer, 1987; Hartog, 1992). Reviews of literature in both the research and policy arenas reveal that there is often little definitional and conceptual distinction between the terms competences and skills and that attributes often characterised as personal qualities also appear on list of competences (Weinert, 2001). In public discourse and sometimes also in specialised literature, there is a tendency to use terms such as skill, qualification, competence, and literacy, either imprecisely or interchangeably, in order to describe what individuals must learn, know, or be able to do to succeed in school, at the workplace, or in social life.

Education is widely considered an indispensable aspect of any and all conceptual and practical approaches to these issues, as evidenced by the ever-increasing emphasis that is placed on education as a resource and asset for individual and social achievement (Belfied, Bullock and Fielding, 1999). With the heightened attention on education, tomorrow's curriculum has become a relevant topic for political discourse and education reform efforts all over the world. There is a growing concern among governments and the general public about the adequacy and quality of education and training, as well as the economic and social returns on public educational expenditures. From the society perspective, educational outcomes are seen as crucial factors for productivity and competitiveness (Buchel, 2002). The importance of worker quality, skills, and competences as key for survival and “the first strategic factor that can be used to boost productivity and market competitiveness” (Callieri, 2001) was underscored by various commentators from the business perspective (Farrugia, 2001; Oliva, 2003). Several approaches have emphasised competences via the perspective of a successful life and a well-functioning society, conceiving the potential societal benefits of a well-educated citizenry as including a productive economy, democratic processes, social cohesion, and peace. At the individual level, the potential benefits of competences entail successful participation in the labour market, in political processes, and in social networks; and meaningful interpersonal relations and general satisfaction with one’s life (García-Aracil, Mora and Vila, 2004; Heijke, Meng and Ramaekers, 2002; Allen and Van der Velden, 2001).
In the last two decades, horizontal educational and professional mobility became more widespread among countries with similar qualities of the education system and with a similar stage of economic development. Scientific and technological progress, especially in the communications industry, have promoted international integration and cooperation but also intensified international competition. In order to develop quick responses to the challenges of this new order while safeguarding and improving their socio-economic standards, European countries have recognised knowledge as their most valuable resource for fuelling economic growth. Where people acquire knowledge, learn skills and transform them into competence for meaningful use, they not only stimulate economic and technological progress, but also derive much personal satisfaction and well-being from their endeavours.

Faced with EU enlargement, an ageing population, rising migration, increasingly complex career paths, consistently high levels of unemployment and the associated risk of social exclusion, European countries have started to take a closer look at those competences likely to be needed by adults in the future. European countries are increasingly concerned to identify the competences, skills, knowledge, abilities and attitudes that will equip their citizens to play an active part in this emerging knowledge-driven society. Efforts to determine the core attributes needed to participate effectively in political, economic, social and cultural activities are being pursued at national and international level (Rychen and Salganik, 2003). The relationship between competences and employment is not really clear. But clear is that there is a discrepancy between the acquisition of competences, e.g. during study, and the requirement of competences at a later time period, e.g. for professional work.

This article contributes to the identification of a valuable set of key competences relevant to graduates’ professional success. We try to gain into the following research questions:

- To what extent education and training system have different patterns in European countries? To what extent are competences immutable with reference to social, economic, and cultural conditions? Are they generally valid from country to country?
- Which competences characterised the field of study? Are certain competences particularly assigned to the field of study got?
- Which competences provide more monetary rewards (in terms of income) and non-monetary rewards (in terms of job satisfaction)?

For that purpose, we used the multivariate correspondence analysis as a tool of data analysis presented in Section 2 together with the data; Section 3 presents the results, and Section 4 provides conclusions and implications for policy matters.
Methodology and data

Correspondence analysis is a descriptive/exploratory technique designed to analyse simple two-way and multi-way tables containing some measure of correspondence between the rows and columns. These methods were originally developed primarily by Jean-Paul Benzerci in the early 1960s and 1970s (Benzerci, 1973). The results provide information, which is similar in nature to those produced by factor analysis techniques, and they allow one to explore the structure of categorical variables included in the table. In a typical correspondence analysis, a cross tabulation table of frequencies is first standardised, so that the relative frequencies across all cells sum to one. One way to state the goal of a typical analysis is to represent the entries in the table of relative frequencies in terms of the distances between individual rows and/or columns in a low-dimensional space.

Assuming the k-column values in each row of the table as coordinates in an m-dimensional space, we could compute the Euclidean distances between the k-row points in the m-dimensional space. The distances between the points in the m-dimensional space summarise all information about the similarities between the rows. Afterwards we hypothesise that we could find a lower-dimensional space, in which to position the row points in a manner that retains all, or almost all, of the information about the differences between the rows. We could then present all information about the similarities between the rows in a simple one, two, or m-dimensional graph. While this may not appear to be particularly useful for small tables, we can easily imagine how the presentation and interpretation of very large tables could greatly benefit from the simplification that can be achieved via correspondence analysis.

A major difference between correspondence analysis and most other techniques for categorical data analysis lies in the use of models (Van der Heijden et al., 1989; Goodman, 1986). In correspondence analysis it is claimed that no underlying distribution has to be assumed and no model has to be hypothesised, but a decomposition of the data is obtained in order to study their “structure”. However, conclusions about the data may not be generalised at population level as suggested by Greenacre (1984).

The data used in this research was taken from a major representative survey comparing the situation of graduates from higher education institutions. More than 36,000 graduates from twelve countries holding a higher education degree were surveyed four years after graduation (graduates from 1995 were surveyed in 1999). The study, named Careers after Higher Education – A European Research Survey (CHEERS), included graduates from Austria, the Czech Republic, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden and the United Kingdom as well as Japan. From autumn 1998 to spring 2000, about 3,000 graduates each from 9 countries of
the European Union, one EFTA country (Norway), one of the Central and Eastern European countries in transition (the Czech Republic) and one economically advanced country outside Europe (Japan) provided information through a written questionnaire on the relationship between higher education and employment four years after graduation. The respondents answered questions on their socio-biographic background, study paths, transition from higher education to employment, early career, links between study and employment, their job satisfaction and their retrospective view of higher education.

The CHEERS database addressed information with respect to 36 different items representing demands for and supplies of competences. Graduates were asked to indicate on an ordered scale ranking from 1 (not at all) to 5 (to a very high extent), the extent to which they had a given competence at time of graduation (the acquired level of competence) and the extent to which this given competence was required in their current work (the required level of competence). The acquired level of competences offers evidence about the graduates’ self-assessment on the level of competences built up during one’s higher education and the level of competences required offers self-report measures about graduates’ immediate job situation. For a question of homogeneity we have considered only European countries as the whole sample. A description of the 36 items is shown in Annex.

The usual way to summarise such data is to count frequencies of response and present these in tables or in graphical form, usually bar or line charts. A second level of analysis is to explore relationships between different questions in the survey. Standard procedures are available when the questions involve quantitative responses, for example correlation-based methods such as regression analysis, principal component analysis and factor analysis. In our paper, in the case of categorical responses, the way to proceed is less obvious, which the level of acquired and required competence is a multicategorical variable having five possible responses, and different values in each of the eleven countries considered. Correspondence analysis is a method aimed specifically at quantifying categorical data, which is assigning numerical scale values to the response categories of discrete variables, with certain optimal properties. These scale values have been shown to have interesting geometric properties and provide what are called “maps” of the relationships between variables.

In this context, we aim to show how multivariate correspondence analysis can be used to describe the patterns of acquired and required competences among the following European countries: Italy, Spain, France, Austria, Germany, The Netherlands, United Kingdom, Finland, Sweden, Norway, Czech Republic.
Concerning about the field of study, graduates in a given field have similar life goals and job prospects, as well as a similar educational and social background, irrespective of cultural and labour market differences associated with their country of residence (García-Aracil et al., 2006). In this context, we map the relationship between the level of acquired and required competences according with the following field-study groups: Education, Humanities, Social Sciences, Law, Natural Sciences, Mathematics (which includes Computer Sciences), Engineering, and Medical Sciences.

Finally, we explore the relationship between the level of acquired and required competences and graduates’ payoff both in terms of income (monetary rewards) and job satisfaction (which includes the non-monetary rewards as well).

Results

Results by country

The application of multiple correspondence analysis shows that 33 per cent of the explanatory capacity of the model is due to the first axis (Dimension 1) and 22 per cent due to the second axis (Dimension 2). A visualisation of the results is presented in Figure 1. As we can see the profiles of acquired and required

Figure 1. Correspondence analysis by country (Dimension 1 and 2)
competences in the Mediterranean countries – Italy, Spain and France – (Group 1) and the rest of European countries – Austria, Germany, the Netherlands, United Kingdom, Finland, Sweden, Norway and Czech Republic – (Group 2) are different, as it was expected. The Mediterranean countries of our sample are characterised by the lack of competences related to the field-specific knowledge of methods (a4), computer skills (a6), understanding complex social, organisational and technical systems (a7), planning, co-ordinating and organising (a8), applying rules and regulations (a9), working under pressure (a17) and working independently (a23). However, it was exactly the opposite in the case of loyalty and integrity competence (a30).

Looking at the plot of row and column points in Figure 1 with two-dimensional space for the second group of European countries, one can observe that the United Kingdom has a more separate position defined by its closer vicinity to the competence of documenting ideas and information (a11) and the big distance to the competence related to foreign language proficiency (a5).

For a more detailed description, we plot (see Figure 2) the third and fourth dimension allowing us to explain 82 per cent of the total capacity of the model (additional 16 per cent is explained by the third dimension and 11 per cent by the fourth dimension).

Figure 2. Correspondence analysis by country (Dimension 3 and 4)
In Figure 2, we can appreciate that, on one hand, Austria and Germany are a new group and Czech Republic, on the other hand. With respect the overall level of competences acquired leadership (a35), negotiating (a20), working in a team (a24), creativity (a16), taken responsibilities, decisions (a36), and loyalty, integrity (a30) are less provided by the Austrian and German higher education system than the rest of European countries analysed. On the other hand, it could be said that the higher education system of Czech Republic provides on average less level of competences related to planning, co-ordinating and organising (a8), applying rules and regulations (a9) and documenting ideas and information (a11) compared to the rest of European countries in our analysis.

Results by field of study

The application of multiple correspondence analysis to fields of study shows that 52 per cent of the explanatory capacity is due to the first axis (Dimension 1) and 20 per cent due to the second axis (Dimension 2). A visualisation of the results is presented in Figure 3. Looking at the plot of row and column points in the two-dimensional space of acquired and required competences, we can define three different groups of field of study: Mathematics, Engineering and Natural Sciences (Group 1), Social Sciences and Law (Group 2) and Humanities, Education and Medical Sciences (Group 3).

For those graduated in Mathematics, Engineering and Natural Sciences, computer skills competence and foreign language proficiency are at the same time more provided by the higher education and training system and more

Figure 3. Correspondence analysis by field of study (Dimension 1 and 2)
demanded by employers than for the rest of field-study groups. On the other
hand, it seems that economic reasoning competence and applying rules and
regulations are “key” competences from those graduates in Social Sciences
and Law (second group in our graph).

For a more detailed description, we plot in Figure 4 the third and fourth
dimension allowing us to explain 93 per cent of the explanatory capacity of
the model (additional 12 per cent is explained by the third dimension and
9 per cent by the fourth dimension). When the third and fourth dimensions
are taken into account, we can observe that foreign language proficiency (a5)
and documenting ideas and information (a11) are important for those graduates
in Humanities. However, planning, co-ordinating and organising (a8),
understanding complex social, organisational and technical systems (a7) and
economic reasoning (a10) competences are less provided by the higher
education and training system for those graduates in Humanities. On the
other hand, field-specific theoretical knowledge competence (r3) and field-
specific knowledge of methods (r4) are more demanded for those graduates in
Medical Sciences.

Results by level of annual gross income

The multiple correspondence analysis applied to eight different levels
of annual gross income is presented in Figure 5. In this case, we plot only
two-dimensional space, where 45 per cent of the total inertia is explained by the first axis (Dimension 1) and 20 per cent by the second axis (Dimension 2). A visualisation of the row and column points allow us to define 5 different level-income groups: the highest income group greater than 70 thousand of euro (Group 1), 60-70 income group (Group 2), 40-60 (Group 3), 30-40 (Group 4), and the lowest income group less than 30 thousand of euro (Group 5).

A first relevant result is that the better paid group is related to a specific group of competences whereas the rest of groups have a similar structure in regard to competences. Results suggest that those jobs with higher requirement of working in a team (r24), getting personally involved (r29), understanding complex social, organisational and technical system (r7), problem-solving ability (r12), oral communication skills (r32), adaptability (r26), tolerance, appreciating of different points of view (r34), taken responsibilities and decisions (r36), leadership (r35) and written communication skills (r33) are the best paid. On the contrary, lower salaries are related to jobs with higher requirements of working under pressure (r17), reflective thinking, assessing one’s own work (r15), analytical competences (r13) and loyalty, integrity (r30).

By level of job satisfaction

Finally, the application of multiple correspondence analysed considering the level of acquired and required competences joint graduates’ self-
assessment job satisfaction scores is showed in Figure 6. The first axis explains 97 per cent of the model. The results show that high level of job satisfaction is strongly influenced by the required level of competences. Order by largest effect, the required “key” competences are: foreign language proficiency (r5), creativity (r16), cross-disciplinary thinking/knowledge (r2), field-specific theoretical knowledge (r3), field-specific knowledge of methods (r4), critical thinking (r31), leadership (r35), broad general knowledge (r1), understanding complex social, organisational and technical systems (r7), initiative (r25), taken responsibilities/decisions (r36), reflective thinking, assessing one’s own work (r15), analytical competences (r13), documenting ideas and information (r11), learning abilities (r14), and getting personally involved (r29).

Figure 6. Correspondence analysis by level of job satisfaction scores

Note: Graduates’ self-assessed job satisfaction scores from 1 = very satisfied to 5 = very dissatisfied.

Conclusions

In this article we have applied an exploratory methodology for analysing:
1. Whether exist a country or field of study pattern in regard to competences.
2. The influence of required and acquired competences of European higher education graduates on two economic benefits of education (income and job satisfaction).

Results show that, at least in our sample, there does exist a specific pattern for countries in regard to the competences acquired by higher education graduates in the educational and training system. Based on this criteria European countries in our sample can be classified in Mediterranean (France, Italy and Spain), German (Germany and Austria) and Nordic (Sweden, Norway, Finland with the Netherlands), being the United Kingdom and the
Czech Republic as independent cases. Each group is characterised by a closer relation to some type of acquired competences. For instance, the Mediterranean Group is characterised by lack of competences related to the field-specific knowledge of methods, computer skills, understanding complex social, organisational and technical systems, planning, co-ordinating and organising, applying rules and regulations, working under pressure, working independently. This suggests educational systems more theoretical oriented and lacked of connections with the reality of the labour market. The German Group is characterised by the lack of acquired competences in leadership, negotiating, working in a team, creativity, taken responsibilities, decisions, and loyalty, integrity. The Czech Republic is characterised by the lack of acquired competences related to planning, co-ordinating and organising, applying rules and regulations and documenting ideas and information. Finally, the United Kingdom is defined by a higher level of competence in documenting ideas and information and the lack of foreign language proficiency.

We have found as well that field of study have strong relations with different type of competences. In this sense, we found: a) the Technical-Scientist Group (Mathematics, Engineering and Natural Sciences) characterised by a strong relation to computer skills and foreign language proficiency; b) the Social Sciences and Law Group characterised by economic reasoning and ability for applying rules and regulations; c) Humanities, defined by foreign language proficiency and documenting ideas and information; and d) Medical Sciences where field-specific theoretical knowledge and field-specific knowledge of methods are the competences defining the group.

In regard to how competences are rewarded in monetary or job satisfaction terms we have found a clear structure as well. The best paid graduates are those with positions where is relevant working in a team, getting personally involved, understanding complex social, organisational and technical system, problem-solving ability, oral communication skills, adaptability, tolerance, appreciating of different points of view, taken responsibilities and decisions, leadership and written communication skills. In regard to job satisfaction, the results are very clear: the most demanding is the job in competences the greater satisfaction produced on the young graduate. It is obvious that interesting a complex jobs are the more stimulating for graduates.

This article has also another result: the validity of the methodology that we have applied for differentiating a very complex set of variables and characteristics. Further research will be done for a better definition of our results.
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## ANNEX

Table 1. **Descriptive statistics for competences**

<table>
<thead>
<tr>
<th>Competence</th>
<th>Acquired Mean</th>
<th>Acquired Std. Dev.</th>
<th>Required Mean</th>
<th>Required Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Broad general knowledge</td>
<td>3.70</td>
<td>0.82</td>
<td>3.62</td>
<td>1.00</td>
</tr>
<tr>
<td>2. Cross-disciplinary thinking/knowledge</td>
<td>3.39</td>
<td>0.88</td>
<td>3.65</td>
<td>1.01</td>
</tr>
<tr>
<td>3. Field-specific theoretical knowledge</td>
<td>3.82</td>
<td>0.93</td>
<td>3.68</td>
<td>1.13</td>
</tr>
<tr>
<td>4. Field-specific knowledge of methods</td>
<td>3.41</td>
<td>1.00</td>
<td>3.67</td>
<td>1.14</td>
</tr>
<tr>
<td>5. Foreign language proficiency</td>
<td>3.06</td>
<td>1.11</td>
<td>2.90</td>
<td>1.38</td>
</tr>
<tr>
<td>6. Computer skills</td>
<td>2.97</td>
<td>1.14</td>
<td>3.80</td>
<td>1.12</td>
</tr>
<tr>
<td>7. Understanding complex soc., org. and tech. systems</td>
<td>2.79</td>
<td>1.02</td>
<td>3.32</td>
<td>1.17</td>
</tr>
<tr>
<td>8. Planning, coordinating and organising</td>
<td>3.11</td>
<td>1.05</td>
<td>4.11</td>
<td>0.95</td>
</tr>
<tr>
<td>9. Applying rules and regulations</td>
<td>2.95</td>
<td>1.09</td>
<td>3.59</td>
<td>1.12</td>
</tr>
<tr>
<td>10. Economic reasoning</td>
<td>2.75</td>
<td>1.14</td>
<td>3.50</td>
<td>1.20</td>
</tr>
<tr>
<td>11. Documenting ideas and information</td>
<td>3.28</td>
<td>1.05</td>
<td>3.81</td>
<td>1.05</td>
</tr>
<tr>
<td>12. Problem-solving ability</td>
<td>3.62</td>
<td>0.90</td>
<td>4.30</td>
<td>0.79</td>
</tr>
<tr>
<td>13. Analytical competences</td>
<td>3.68</td>
<td>0.91</td>
<td>3.95</td>
<td>0.96</td>
</tr>
<tr>
<td>14. Learning abilities</td>
<td>4.18</td>
<td>0.76</td>
<td>4.03</td>
<td>0.90</td>
</tr>
<tr>
<td>15. Reflective thinking, assessing one’s own work</td>
<td>3.52</td>
<td>0.94</td>
<td>3.95</td>
<td>0.91</td>
</tr>
<tr>
<td>16. Creativity</td>
<td>3.38</td>
<td>1.04</td>
<td>3.72</td>
<td>1.09</td>
</tr>
<tr>
<td>17. Working under pressure</td>
<td>3.53</td>
<td>1.08</td>
<td>4.29</td>
<td>0.89</td>
</tr>
<tr>
<td>18. Accuracy, attention to detail</td>
<td>3.70</td>
<td>0.98</td>
<td>4.14</td>
<td>0.86</td>
</tr>
<tr>
<td>19. Time management</td>
<td>3.30</td>
<td>1.04</td>
<td>4.14</td>
<td>0.87</td>
</tr>
<tr>
<td>20. Negotiating</td>
<td>2.58</td>
<td>1.05</td>
<td>3.66</td>
<td>1.15</td>
</tr>
<tr>
<td>21. Fitness for work</td>
<td>3.62</td>
<td>1.06</td>
<td>3.90</td>
<td>1.04</td>
</tr>
<tr>
<td>22. Manual skills</td>
<td>2.96</td>
<td>1.21</td>
<td>2.88</td>
<td>1.34</td>
</tr>
<tr>
<td>23. Working independently</td>
<td>3.95</td>
<td>0.95</td>
<td>4.33</td>
<td>0.86</td>
</tr>
<tr>
<td>24. Working in a team</td>
<td>3.65</td>
<td>1.04</td>
<td>4.19</td>
<td>0.93</td>
</tr>
<tr>
<td>25. Initiative</td>
<td>3.51</td>
<td>0.98</td>
<td>4.11</td>
<td>0.89</td>
</tr>
<tr>
<td>26. Adaptability</td>
<td>3.74</td>
<td>0.94</td>
<td>4.11</td>
<td>0.83</td>
</tr>
<tr>
<td>27. Assertiveness, decisiveness, persistence</td>
<td>3.50</td>
<td>0.99</td>
<td>4.14</td>
<td>0.84</td>
</tr>
<tr>
<td>28. Power of concentration</td>
<td>3.95</td>
<td>0.85</td>
<td>4.05</td>
<td>0.84</td>
</tr>
<tr>
<td>29. Getting personally involved</td>
<td>3.79</td>
<td>0.96</td>
<td>4.07</td>
<td>0.92</td>
</tr>
<tr>
<td>30. Loyalty, integrity</td>
<td>3.83</td>
<td>1.05</td>
<td>4.06</td>
<td>0.93</td>
</tr>
<tr>
<td>31. Critical thinking</td>
<td>3.76</td>
<td>0.94</td>
<td>3.90</td>
<td>0.96</td>
</tr>
<tr>
<td>32. Oral communication skills</td>
<td>3.62</td>
<td>0.99</td>
<td>4.30</td>
<td>0.83</td>
</tr>
<tr>
<td>33. Written communication skills</td>
<td>3.85</td>
<td>0.90</td>
<td>4.06</td>
<td>0.96</td>
</tr>
<tr>
<td>34. Tolerance, appreciating different points of view</td>
<td>3.70</td>
<td>0.95</td>
<td>3.96</td>
<td>0.92</td>
</tr>
<tr>
<td>35. Leadership</td>
<td>2.83</td>
<td>1.06</td>
<td>3.57</td>
<td>1.14</td>
</tr>
<tr>
<td>36. Taking responsibilities, decisions</td>
<td>3.38</td>
<td>1.02</td>
<td>4.23</td>
<td>0.88</td>
</tr>
</tbody>
</table>
Performance Funding of Swiss Universities – Success or Failure? An ex post Analysis

by

Andrea Schenker-Wicki and Mark Hürlimann, University of Zurich, Switzerland

In the past decade, based on a change in paradigms in university policy, performance funding on a cantonal and central state level has been introduced in Switzerland: the universities have been granted higher autonomy, combined with global budgets and contract management by the responsible authorities (cantonal authorities). At the same time, the allocation of the central state subsidies, which is only of a secondary nature, has no longer been based on input but on the achievement of targets (new University Funding Law from the year 1999). The introduction of these new performance-oriented elements – higher autonomy combined with global budgets and contract management and target-oriented allocation of central state subsidies led to intensive, sometimes controversial debates in the different parliaments and media. This work examines whether – and to what extent – these new incentives have led to behavioral changes at the universities. To test this, the work has analysed the development of efficiency – as an input/output comparison in the university production process – and that of effectiveness – as the degree to which targets formulated in the University Funding Law are achieved.
Performance funding of Swiss universities – success or failure: an ex post analysis

University policy in Switzerland: Framework conditions

University policy in Switzerland, as in all federally organized states, is a complex matter because numerous parties, often with diverging interests, take part. In Switzerland, the cantons are the legislative bodies for the universities and therefore largely responsible for their financing.\(^1\) This, however, does not apply for the two federal technical universities in Zurich and Lausanne (ETHZ and EPFL): these two universities with the ETHZ being the most famous university in Switzerland are completely financed and kept under surveillance by the Swiss Confederation.

With respect to the cantonal universities the Confederation has merely a secondary allocation function. This is also reflected in the legislation: the cantonal universities are subject to cantonal legislation whilst, at the level of the Confederation, there is only a framework law. This law mainly regulates the co-operation in the university sector and the central state subsidies which are allocated from the Confederation to the university cantons (University Funding Law).\(^2\)

Because the cantonal and federal universities have different responsibilities and different funding mechanisms, the ETHZ and EPFL are not included in the sample analyzed in this article.

A change of paradigms in university policy

In recent years, university policy in Switzerland has undergone a change in paradigms: state governance and control have been replaced by supervision. The universities have been granted a larger degree of autonomy,\(^3\) associated with global budgets and contract management (performance funding), and central state subsidies were consistently related to targets (performance-oriented in the new University Funding Law from 2000). New trends in Public Management, based on institutional economics and theories of social choice,\(^4\) were largely responsible for this change. In view of the heated and emotionally driven debates which preceded the paradigm change and the corresponding legislation, this article concentrates particularly on whether the larger degree of autonomy and the new funding mechanisms did actually lead to a better performance in the university sector. This would
imply that efficiency\(^5\) – doing things right – and effectiveness\(^6\) – doing the right things – have increased. From the economic literature it is widely known that an increase in autonomy not only produces a better quality but also leads to a higher efficiency due to the fact that motivation is positively affected.

In the first part of this article, the development of efficiency in the last few years will be analyzed with respect to the enlarged degree of autonomy which hypothetically should lead to efficiency gains. In a second part, there will be a discussion of effectiveness. The task is thus to examine whether the targets associated with the new University Funding Law have been reached or not (effectiveness test). In the third part a synopsis is given, enabling an assessment of the overall performance defined as efficiency and effectiveness. In order to calculate the efficiency, a Data Envelopment Analysis model was used, enabling the identification of the so-called “organisational slack”,\(^7\) while the effectiveness was measured by the change in the most important indicators derived from the targets given by the University Funding Law.

**Have the universities become more efficient?**

**Method and data**

A major advantage, repeatedly discussed during the reforms in the Public Management sector is improved efficiency associated with a higher level of autonomy and with an increased financial flexibility. The improved efficiency is defined as a higher output with respect to a certain input level and should primarily be due to the notion that a specific organisation, armed with the necessary financial and organisational freedom, is better motivated and able to regulate its internal matters than a distant ministry. As the universities have enjoyed this new freedom since the 1990s, it should be possible to make efficiency gains visible over the course of time. Since public expenditures have increased about 23.4\% in the university sector in the last eight years, we can assume that the different universities have a comparable ability to increase efficiency.

A method belonging to the Data Envelopment Analysis (DEA)\(^8\) methods is used to analyze the assumed efficiency gains. The DEA methods calculate the efficiency – defined as a relation of different input and output factors – based on an optimization process.\(^9,10\) If teaching and research are defined as the main activities of a university, the so-called university production function must include input and/or output factors from both, teaching and research. Here, the number of diplomas and the number of dissertations were selected as output factors. The diplomas are considered to be the most important factor describing the teaching while the dissertations count for the research activities. As input factors the number of students and the expenditure for the scientific personnel (costs in CHF) were chosen; the number of students
represents primarily the teaching activities, whilst the expenditure for the scientific personnel counts for teaching and research. There is of course a whole series of other factors which could be used on the input as well as the output side. But in the DEA method, with respect to combinatorial considerations, the number of input and output factors must be restricted in relation to the number of test units.\textsuperscript{11}

Because the DEA methods allocate optimal weights to all input and output factors, the maximal weights are placed on those factors in which a university does better in comparison with other universities. The prime advantage of the DEA method is that the weights of the input and output factors do not have to be determined \textit{ex ante} and therefore subjective weightings are excluded. Due to the optimization of weightings the DEA methods are very benevolent which means that inefficiencies calculated by this kind of methods cannot be denied: inefficient universities \textit{de facto} have efficiency problems!

\textit{Test units:} All ten cantonal universities in Switzerland were examined. Unfortunately, a sub-division into academic disciplines was not possible because the corresponding data are not available. This will only be possible in 2006 at the earliest. Therefore there might be compensation effects between different disciplines.

\textbf{Results}

According to Table 1, the universities of Fribourg, Neuenburg and Lausanne had efficiency problems in 2002 and 2003, whilst all the other universities can be described as efficient. Since this efficiency can be considered as a so-called “soft efficiency”, it has to be assumed that those

\begin{table}[h]
\centering
\caption{Efficiency data for the years 2000-2003}
\begin{tabular}{lcccc}
\hline
University & Year & 2000 & 2001 & 2002 & 2003 \\
\hline
Basel & & 1 & 1 & 1 & 1 \\
Berne & & 0.927 & 1 & 1 & 1 \\
Fribourg & & 1 & 1 & 0.966 & 0.814 \\
Geneva & & 1 & 1 & 1 & 1 \\
Lausanne & & 0.830 & 0.924 & 0.917 & 0.947 \\
Lucerne & & 1 & 1 & 1 & 1 \\
Neuenburg & & 0.946 & 0.902 & 0.882 & 0.925 \\
St. Gallen & & 1 & 1 & 1 & 1 \\
Zurich & & 1 & 1 & 1 & 1 \\
USI & & 0.749 & 1 & 1 & 1 \\
\hline
\end{tabular}
\end{table}
universities which are shown in Table 1 as inefficient really do demonstrate inefficiencies in comparison with other, comparable universities, and those inefficiencies cannot be glossed over. Particularly noteworthy in Table 1 is the behavior of the University of Lausanne which has been gone through a major restructuring process for several years (closing some departments and transferring them to the EPFL). This process appears to be paying off because the University of Lausanne has been able to enhance its efficiency in the last years. With respect to the universities of Fribourg and Neuenburg a possible explanation for the efficiency problems could be their size and the number of programs they offer: Both universities are rather small and are so-called comprehensive universities offering studies in humanities as well as in technical and/or life sciences. But both have difficulties to cope with the fast growing expenditures demanded by those disciplines to be state-of-the-art, due to the fact that they attract few students in the corresponding disciplines. This results in a weak efficiency based on relatively high expenditure for the scientific personnel coupled with a low number of students on the input side and few diplomas and dissertations on the output side. In addition, the University of Fribourg offers medical studies only for the first two years, which further lowers its efficiency since these students do not pass a final exam in Fribourg. In contrast to the Universities of Lausanne, Fribourg and Neuenburg, the University della Svizzera Italiana – USI, has shown a unique inefficiency number in the year 2000 due to the growth of this young university, accredited in 2000. In the following years there was no further inefficiency to be observed.

The question as to whether autonomy for the Swiss universities has paid off cannot be answered based on the efficiency calculated in this paper. Taken as a whole, the behavior of the universities is too heterogeneous and the results are not significant. If the year 2003 is compared to 2000, it can be seen that in 2000, four universities were inefficient, whilst in 2003 only three universities were battling against inefficiencies. This leads to the assumption that efficiency gains are possible. But, even though autonomy has increased everywhere 30% of the universities still show inefficiencies.

**Have the universities become more effective?**

In testing the effectiveness, the focus is primarily on examining the change of the performance indicators derived from the targets given by the University Funding Law. The task is to determine whether the objectives associated with the target-oriented funding are achieved or not. However, since the objectives of the University Funding Law are not explicitly available the effectiveness can be tested only in an indirect way. We therefore assume a quasi effectiveness test which analyzes whether the individual universities have developed in the direction desired by the legislators.
Targets and performance indicators

In order to determine the behavior of the universities, the relative changes in the individual universities over the last four years – for each year and for the whole period – were identified. To do so, the most important indicators are derived from the main targets of the University Funding Law such as:

- 1st target: reducing the study times
  - indicator: number of students in the norm study time;
- 2nd target: increasing the number of foreign students
  - indicator: number of foreign students;
- 3rd target: intensifying research activities
  - indicator: research months per professor granted by state research promotion institutions;
- 4th target: increasing the acquisition of private funds
  - indicator: private funds acquired in CHF.

All the calculations were made on the basis of the data-set used by the Federal Statistical Office and the State Secretariat for Education and Research to allocate the central state subsidies to individual universities.12

Reducing the study times

The University Funding Law foresees that expenditure for teaching is to be compensated by student-related amounts, i.e. that contributions are calculated according to the number of students. However, as the duration of studies in Switzerland (completion at on average 27.3 years of age)13 has been criticized as being too long, only those universities that succeed in educating students in a so-called norm study time should be financially rewarded. The norm study times are 16 semesters for medicine and 12 semesters for all other academic disciplines.

Table 2 shows the percentage of students that were studying within the norm study time compared to the total number of students. Looking at the figures, it becomes clear that for the period 2000-2003 most of the universities achieved an increase in students studying within the norm study times, although the increase is rather small. Only the universities of Neuenburg and Zurich show a decrease in the percentage of norm-time students and an increase in long-term students. Since the Universities of Lucerne and the Università della Svizzera Italiana were newly founded, they are excluded at this point. In comparison with the overall number of students in individual years, 88.0% of all students were within the norm study times in 2000, 88.9% in 2003. This slight increase in number of students studying within the norm
study times or decrease of number of long-term students means that the incentive system in the University Funding Law is not very effective. That is even more astonishing since the inter-cantonal financial compensation system\textsuperscript{14} – funds the university cantons receive from the non-university cantons – is similarly structured: universities only receive money for those students who study within the norm study times. Therefore it can be assumed that either the universities are still hesitating in imposing regulations with regard to norm study plans and times (higher study fees for long-term students) or that the regulations have not yet shown any effect due to the short period of time considered in this study.

### Increasing the number of foreign students

The costs for foreign students must be carried primarily by the universities because the universities do not charge cost-covering study fees and the inter-cantonal financial compensation plays no role at all for the foreign students. Due to various parliamentary interventions in the passing of the University Funding Law, the consequence is that now, the Confederation is participating in the financing of foreign students and even more favors an increase in numbers. If the development in participation of foreign students in Switzerland is analyzed in the period 2000-2003, the number of foreign students has increased by 20\% (4 028 students).\textsuperscript{15} In the year 2003 21.4\% of all students were foreign students. The most successful universities were those of Zurich and St. Gallen, whereas the universities of Berne and Lucerne have relatively few foreign students. The highest percentage of foreign students are found in the university della Svizzera Italiana and the universities of Geneva
and St. Gallen. On the whole this aim – to increase the attraction for foreign students – can be regarded as achieved in the sense of the University Funding Law (see Table 3).

**Intensifying the research activities**

The calculation of the research performance is based on the research activity granted from the official state research promoting institutions (Swiss National Science Foundation, EU research programs or from the Innovation Promotion Agency [CTI]) and calculated in terms of research months per professor (see Table 4). To visualize the research efforts of a university, the activity figure is a better indicator than the financial streams resulting from research funding because those can differ considerably depending on the focus of a university. For that reason, in this paper we focused on the activity and not on the financial streams.

Table 4 shows the activities of the individual universities. It can be seen that at the universities of Berne, Fribourg, Lausanne and Lucerne there is a decrease in research activity and an increase at the universities of Basel, Geneva, Neuenburg, St. Gallen, Zurich and USI. The highest increase is at the University della Svizzera Italiana, albeit at a very low and below-average level. The leaders in terms of research activity in the year 2003 are the Universities of Geneva, Basel, Bern and Zurich. They can be described as the most active research universities in Switzerland with regard to the sample chosen. However, the most famous and internationally best-ranked university of Switzerland is the federal technical university in Zurich (ETHZ) which has not
Through the period 2000-2003, the average research activity of the cantonal universities has risen slightly from 11.4 months in 2000 to 12.2 months per professor in 2003. The answer to the critical question with regard to the effect of the incentive system conceived within the University Funding Law can therefore be regarded as positive.

### Increasing the acquisition of private funds

As the finances of the public sector are likely to become tighter in the future, one of the aims of the Confederation was that the acquisition of private funds should be especially rewarded. If the figures in Table 5 are compared, it becomes clear that over the period 2000-2003 all universities with the exception of the University of St. Gallen have pursued this aim: practically all of them have succeeded in raising their share of private funds. In defense of the University of St. Gallen, it must be added that this university has the highest proportion of private funds (about 33% of its budget) of all the Swiss universities. This is not really surprising since the University of St. Gallen could be considered as being basically a business school with important activities in the executive education.

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**Table 4. Success in research for the years 2000-2003**

<table>
<thead>
<tr>
<th>University</th>
<th>Year</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basel</td>
<td>17.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Berne</td>
<td>19.8</td>
<td>19.3</td>
</tr>
<tr>
<td>Fribourg</td>
<td>8.3</td>
<td>8.0</td>
</tr>
<tr>
<td>Geneva</td>
<td>18.1</td>
<td>17.8</td>
</tr>
<tr>
<td>Lausanne</td>
<td>13.3</td>
<td>13.1</td>
</tr>
<tr>
<td>Lucerne</td>
<td>3.2</td>
<td>1.8</td>
</tr>
<tr>
<td>Neuenburg</td>
<td>12.1</td>
<td>11.8</td>
</tr>
<tr>
<td>St. Gallen</td>
<td>3.1</td>
<td>3.5</td>
</tr>
<tr>
<td>Zurich</td>
<td>15.7</td>
<td>16.7</td>
</tr>
<tr>
<td>USI</td>
<td>3.5</td>
<td>3.5</td>
</tr>
</tbody>
</table>

1. The number is so high due to the fact that the University of St. Gallen nearly doubled the number of research months in the near 2003 compared to the year 2000 albeit at a very low level (underperformance).
2. The reason for such a high number is that the University della Svizzera Italiana nearly doubled the number of research months in the year 2003 compared to the year 2000. The reason for this increase, albeit at a very low level, is the rapid growth of this very young university accredited in the year 2000.
In Switzerland, the average financing from private funds amounts to 9.2% in the year 2003. The young universities of Lucerne and USI as well as the universities of Geneva, Zurich and Basel were particularly successful in increasing the acquisition of private funds.

In total, throughout Switzerland private funds have risen by 18.8% (CHF 48 343 000) during the period 2000-2003. In this sense, the incentive system has been successful and the aim of the legislators has been reached.

Overall development of effectiveness

If the development of the universities in recent years as shown in Table 6 is considered, most of the universities have developed positively in the sense of the original objectives of the legislators:

- all universities, except Lucerne, achieved an increase in the number of foreign students;
- more than half of the universities developed positively in research activities; and
- all universities, except St. Gallen, have been able to record successes in the acquisition of private funds.

The only goal which was not achieved to a satisfactory extent was the reduction of long-term students. Almost all universities, except Berne, show no major increase in the number of norm-time students: Considering that this indicator goes into the calculation of state subsidies with a weight of 60%, the effectiveness of the target-oriented incentive system remains in doubt.

### Table 5. Success in the acquisition of private funds 2000-2003

<table>
<thead>
<tr>
<th>University</th>
<th>Private funds acquisition in thousand CHF</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basel</td>
<td>25 384</td>
<td>28 559</td>
</tr>
<tr>
<td>Berne</td>
<td>33 549</td>
<td>32 486</td>
</tr>
<tr>
<td>Fribourg</td>
<td>10 938</td>
<td>10 619</td>
</tr>
<tr>
<td>Geneva</td>
<td>57 065</td>
<td>73 105</td>
</tr>
<tr>
<td>Lausanne</td>
<td>40 997</td>
<td>43 911</td>
</tr>
<tr>
<td>Lucerne</td>
<td>373</td>
<td>604</td>
</tr>
<tr>
<td>Neuenburg</td>
<td>12 251</td>
<td>16 661</td>
</tr>
<tr>
<td>St. Gallen</td>
<td>20 404</td>
<td>19 660</td>
</tr>
<tr>
<td>Zurich</td>
<td>55 464</td>
<td>64 570</td>
</tr>
<tr>
<td>USI</td>
<td>604</td>
<td>0</td>
</tr>
</tbody>
</table>
In order to better visualize the overall development of effectiveness, the individual universities are given points for the achievement of the different targets mentioned in the University Funding Law such as:

- for a small change of \(-2\% < x < +2\%\) 0 points;
- for a change of \(-10\% < x < -2\%\) or \(+2\% < x < +10\%\) \(-0.5\) or \(+0.5\) points;
- for an important change of \(-10\% \geq x \lor x \geq +10\%\) \(-1\) or \(+1\) point.

The maximum points the universities of Basel, Berne, Fribourg, Geneva, Lausanne, Neuenburg, St. Gall and Zurich can get is four. The University of Lucerne and the University della Svizzera Italiana can only get 3 points due to the fact that there are very young universities and are not yet confronted with the problem of long-term students. The most effective universities according to the University Funding Law were the USI and the universities of Zurich and Basel, followed by the University of Geneva. The lowest degree of success in terms of fulfilling the aims of the University Funding Law was recorded by the University of Lucerne, which is the youngest university among all Swiss universities and still has to cope with the difficulties of a newcomer (set up new structures, chairs etc.).

**Synopsis: efficiency and effectiveness**

In order to visualize the efficiency calculated above (“Have the universities become more efficient”) and the effectiveness (“Have the universities become more effective”), the Figure 1 shows a synopsis of both.

Following a period of time averaging seven years after introduction of the cantonal university laws, which gave universities more autonomy on the whole, one can note that the transfer of certain decision-making power and
the introduction of contract management and global budgets have not, per se, led to significantly higher efficiency in universities. Based on the data which has been examined, evidently the education authorities in Switzerland can not be held responsible for inefficiencies which were perceived (or believed to have been perceived) in the past. One explanation for the absence of efficiency gains could be the failure to implement the necessary change management process within the universities. In order to achieve efficiency gains, not only autonomy and global budgets are necessary but also internal organisational reforms, which affect both processes and structures and, last but not least, demand a change in the university culture. These changes must, however, come from the universities themselves and cannot be imposed from outside.

Whether the target-oriented (performance) funding by the Confederation – the new incentive system with ideas taken from Public Management – really proves to be effective, cannot be conclusively judged today because of the relatively brief period of time since the new University Funding Law was put into effect (four years). Of particular note is that payment according to norm study times has not brought a significant reduction of long term studies, although both the Confederation and the non-university cantons use the same types of incentive system. One reason for the failure of this incentive could be that the universities have been hesitant to introduce the necessary regulations – for example significantly higher study fees for long-term students to support this target. Whether the noted, slight increase in research activity really is attributable to the incentive system in the University Funding
Law is not evident, further analyses would be necessary to answer this question.

Due to the tightness of public finance, the universities are forced, up to the level of individual professorship chairs, to procure additional money above and beyond the ordinary resources. A possibility in this regard is the procurement of private funds. In all universities this possibility has been actively used, as shown in this article. However, considering the funding limitations of public finance it has to be assumed that the higher private funding ratio cannot be attributed only and exclusively to the incentives given by the target-oriented funding in the University Funding Law, but is also the result of external political pressure.

Although the introduction of target-oriented financing has not led to major changes in the university sector, this kind of financing is, despite everything, preferable to input-oriented funding because it is based on targets or objectives to be achieved and not on ownership level guarantees.

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Notes

1. The cantons, as responsible authorities, finance an average of about 52% of the budget [Source: Federal Statistical Office (Hrsg./1)].

2. The Confederation partly compensates the university cantons for their operating expenditure (basic contributions). These contributions are allocated target-oriented (indicator based). They reach an average of about 15% of the annual operating costs of the universities.


5. Efficiency is defined as an input-output relation and can serve as a measure for the output to be achieved with a given input.

6. Effectiveness is defined as a measurement for the targets reached.


10. See Cooper, Seiford, Tone (1999).

11. In this work, a total of four factors were chosen for input and output. This number must be seen in relation to the decision-making units reviewed. As we only have a total of ten universities in our sample, the application of input and output factors is limited. As soon as too many factors are chosen, one runs the risk that through the exponentially rising number of factor combinations, every decision-making unit becomes efficient and it is therefore no longer possible to make a clear distinction of efficient and non-efficient universities. (Cooper, Seiford, Tone (1999), p. 252).

12. See University Funding Law and the Ordinance regarding the University Funding Law.


14. As part of an inter-cantonal financial compensation, the non-university cantons pay a fixed sum per student from their canton to the relevant university cantons.


16. A university which offers not only art and social sciences but also natural sciences and medicine can show a higher sum with a lower activity because the research equipment in natural sciences and medicine is considerably more expensive than that used in the social and art sciences.

17. Of special note is that the University of Lucerne is a very young university: it is noticeable in terms of research activity because the teaching staff are busy with the development of study courses and professorship chairs, and, for this reason the research activity is pushed into the background.

References


Universitätsförderungsgesetz: Bundesgesetz vom 8.10.1999 über die Förderung der Universitäten und über die Zusammenarbeit im Hochschulbereich (UFG), SR 414.20, Stand 03.10.2003.

URL – Addresses


**ANNEX**

**Technical Description**

The model used in this work belongs to the Data Envelopment Analysis (DEA) methods which allow to determine the so-called technical efficiency of a certain decision-making unit. Since it is very difficult to fix a theoretical standard for efficiency *ex ante*, Farrell estimated an efficiency line (see Farrell, 1957) from the inputs and outputs of a set of decision-making units. If the assumption applies that the efficiency line is convex, that the slope is always negative and that the input-output combinations are equivalent on this efficiency line, the efficiency line can be regarded as a pessimistic estimate for the technical efficiency of the decision-making unit in question.

The DEA methods are primarily optimization processes. The weighting factors $u_r$ and $v_i$ of the various input and output factors $y_{ri}$ and $x_{ij}$ respectively of a defined decision-making unit (DMU) are maximized under the precondition that with an appropriate weighting, all the other decision-making units show an efficiency of less than 1. The whole calculation is based on an estimated, partly linear production function which covers the entire efficient frontiers and is fixed by the best-practicing units (see Backes-Gellner, Zanders 1989). They build a kind of benchmarking envelope. Using this process, the weighting is determined for each decision-making unit which, in the end, leads to the highest degree of efficiency and therefore presents the relevant decision-making unit at its best.

The following models of the DEA family, among others, can be used to calculate the efficiency: the CCR model which is based on constant return to scales and the BCC model (see Banker, Charnes, Cooper, 1984) which foresees a variable return to scales (increasing, constant, decreasing). With the CCR model, no size effects are taken into consideration; the output always changes in proportion to the input. Thus, it is assumed that a certain increase of the input automatically leads to a corresponding increase of the output.

In analogy to Fandel (see Fandel 2003, p. 40), we have decided in favor of an input-oriented BCC model (see Table 1) which enables the modeling of
various realities and statements with regard to size effects. The major disadvantage of this model is, however, the relatively weak efficiency calculated. The reason is that the BCC model is a very benevolent model which not only varies the weightings of the input and output factors but also varies returns to scales (increasing, decreasing, constant) in favor of a decision-making unit – university – being tested. Returns to scales are defined as an attribute of a production function with the following categories to be distinguished:

- **Increasing Returns to Scale**: When inputs are increased by $x$ and output increases by more than $x$, the returns to scales are increasing.
- **Decreasing Returns to Scales**: When inputs are increased by $x$, but the output increases by less than $x$, the returns to scales are decreasing.
- **Constant Returns to Scales**: When inputs are increased by $x$, and output increases by exactly $x$, the returns to scales are constant.
Broken Down by Sex and Age:
Australian University Staffing Patterns
1994-2003

by

Ian R. Dobson
Monash University,
Australia

This article examines trends in Australian university staffing through an analysis of ten years’ staff statistics, 1994-2003. An introduction which considers definitions, methodological issues, and overall changes in patterns of casualisation, sex and the distribution of academic and general (“non-academic”) staff categories is followed by an examination of changes in participation of university staff by sex and by age. Although most of the focus in the discourse about university staffing concerns academic staff, these staff comprise only 42%-43% of total university staffing in Australia. Therefore it is relevant to investigate changes which have occurred in the majority group of university staff. The characteristics of academic and general staff are quite different, so each category has been considered separately. In particular the progress of women in senior academic posts and in university management is considered, as are patterns of aging, particularly in academic fields of education.
Introduction

The Australian higher education underwent radical change from 1989, the first year of the so-called Dawkins reforms. Institutional mergers, changes to funding, the reintroduction of fees for most domestic students and the expansion of the system were the major changes at that time. In 1988, the year before the start of the reform process, student enrolments in the sector numbered 421,000. By 2002, the number had risen to 751,000.¹ Numbers of fulltime and fractional fulltime staff also increased, from 59,524 in 1989 to 75,462 fulltime equivalent (FTE) in 2003. Numbers of university staff rose until 1996, but in subsequent years, numbers fell. Staff numbers in 2002 slightly exceeded those in 1996.

Australia’s federal education department (currently known as DEST, the Department of Education, Science and Training) demands from universities an annual staff statistics return, in the form of a unit record file containing information on a range of personal and organisational matters. Aggregated files of this information are made available for analysis, and these have been the data source for this article.

Table 1 shows the size of the Australian university workforce and provides a summary which demonstrates the broad changes in the Australian university staffing profile in the decade from 1994 to 2003, including the extent of casualisation.

Casualisation

Most of this paper concerns those staff holding contracts of continuous employment, but a few comments on the casualisation of the university workforce are warranted. Casual staff are engaged and paid on an hourly or sessional basis, and have no entitlement to paid leave (such as for sickness, holidays or long service) (DEST, 2003: 96-97). Table 1 shows that the proportion of the workforce made up of casual staff (expressed in terms of “fulltime equivalence”, or “FTE”) increased over the decade by 4,920, an increase from 11.2% to 15.5% of total staff. There has been little change in this proportion of since 2000.

Staff engaged on continuous contracts might be either “fulltime” or “fractional fulltime”. Fractional fulltime staff work some agreed proportion of a full working week, and accrue only proportionate benefits (such as paid
leave). The FTE of fulltime and fractional fulltime staff increased by 5,203. Unfortunately it was not possible to obtain a ten year distribution of casual staff numbers enumerated on the same basis and according to their function, but something approaching 90% of all casual staffing at universities is for teaching purposes. Casual staff numbers are aggregations based on hours worked and are not reported by sex, so they can shed no light on matters relating to age or gender distribution.

The proportion of staff engaged as fractional fulltime has also increased. From Table 1 it can be calculated that the FTE of fractional fulltime staff as a percentage of all staff with continuous contracts increased from 9.7% in 1994 to 13.0% in 2003. As was the case with casual staff, the great majority of staff on fractional fulltime contracts are members of the academic staff (about 88% in 2003), and the majority are women (58.1% in 2003).

**Academic and general staff**

The staff working in Australian universities do not form a single homogenous group, and any analysis must take account of this, to avoid misleading results and/or interpretations.

Table 1 shows that numbers of academic staff increased in number by 1,587 or 5.2%, whereas the number of staff in general staff classifications increased by 3,616 or 9.0%. However, the proportion of staff in academic classifications has fallen only marginally, from 43.1% in 1994, to 42.2% in 2003.
Going back another decade, in 1982, the proportions of academic staff was 43.2%, so there has been little change in the academic to general staff ratio (DEET, 1993, p. 137). Another relevant point is the increase in the extent of outsourcing. In one sense, the increased casualisation of the academic workforce mentioned above is an example of the trend to casualising teaching. Among general staff positions, it has been common to outsource aspects of buildings and property maintenance, and in particular security and cleaning. Not observable in the tables is the fact that in 1994, there were over 1 100 more staff in the buildings maintenance areas than there were in 2003 (DEST Aggregated Data Sets 1994, 2003). However, outsourcing in areas of cleaning and security are much more likely to take the form of contracts for service let to cleaning or security firms. Outsourcing for teaching will most usually involve the hiring of specific individuals rather than generic services.

**Female and male staff**

Table 1 also shows that there has been an increase in both the number and proportion of women. In 1994, the 32 230 female staff comprised 45.9% of all fulltime and fractional fulltime staff, and these had risen in number by 6 116 to 50.8% by 2003. This increase represented growth of 19% over the decade. By contrast, the number of male staff declined by 912, and male staff in universities are therefore now slightly outnumbered.

**A note on university staff and tenure**

Tenure for academics has been a vexed issue, and should be mentioned here. For a number of years the rate of academic tenure was in decline, which suited universities, but not necessarily university staff. However, the decline in rate of tenure has been arrested since 1999, due to a requirement that universities provide tenure to staff with a history of continuous appointment on short term contracts. In 2003, the tenure rate was 64%, the same rate as it had been in 1994. Between 1994 and 1999 the tenure rate had declined to about 59%.

These figures, however, disguise a gender disparity. Between 1994 and 2003, male academic tenure has declined, from 68.4% to 66.4%, but the proportion of women with tenure increased from 53.0% and 59.8%. Although the tenure rate for women has improved over time, they nonetheless continue to be less likely than their male colleagues to hold tenure.

**Broken down by sex: academic staff**

The characteristics of academic and general staff functions are different and they must be considered separately. This is particularly important in any assessment of the gender distribution, and the impact of aging, particularly at senior levels. The number of female academic staff members has increased
considerably since the mid 1980s. A 1983 report by the Commonwealth Tertiary Education Commission (CTEC) noted that women comprised 17% of fulltime university teaching staff, but 43% of staff Below Lecturer level (DEET 1993, p. 143). By 2003, the proportion of female staff had more than doubled, but by then, women comprised around 52% of staff Below Lecturer.

Table 2 considers academic staff numbers over the past decade according to gender and seniority, and Figure 1 illustrates the proportion of women in each academic staff rank.

The first part of Table 2 shows that the female proportion of the academic workforce has increased by 25.9% over the decade, and by 2003 was 37.8%. At the same time, the number of male staff declined by 891, or 4.3%, but men remain in the majority among academic staff. Table 1 showed that women represented nearly 51% of all staff in 2003, so it is among general staff that women are numerically superior.

Even within their numerical minority in academic ranks, a smaller proportion of women have risen to the top. In 1994 just 7.0% of female academics
had attained posts at the Above Senior Lecturer level, compared with 24.6% of male academics. By 2003, the equivalent proportions were 11.5% and 29.4%, respectively. In 2003, 22.5% of women and 27.2% of men had attained the Senior Lecturer level. The proportion of women at this level had been 17.6% in 1994, compared with 29.1% for men. The situation for women then, has improved, but is still considerably lower than the situation for male academics.

Table 2 also shows another aspect of the correlation between gender and seniority: women are under represented at all levels except Below Lecturer.

The decade 1994 to 2003 saw the increase of almost equal numbers of female (+719) and male (+726) academics Above Senior Lecturer, but the relative improvement in the situation of women is more noticeable at the Senior Lecturer level. Between 1994 and 2003, there were an additional 1 026 women, compared with a decline of 634 in the number of men at this level. However, women continue to be the numerical minority at this level, despite their proportion having risen from 21.9% to 33.5%. At the Lecturer level, women are approaching half of the total, being 46% in 2003. Numbers of women increased by 426, as the number of men at this level declined by 1 159.

Figure 1 further illustrates the general pattern over time. At the Below Lecturer level, women have represented slightly more than 50% for all of the decade in question. At other levels, the proportion of women has increased over time, but remains relatively low at both Senior Lecturer, and above Senior Lecturer levels, particularly the latter. In 1994, women represented 11.6% of all academics with above senior lecturer positions, and by 2003, the number had
more than doubled, and the proportion had risen to 19.2%. Over the period, similar numbers of men (726) and women (719) entered the most senior ranks.

**At the top**

Figure 1 showed that women are under-represented at senior academic ranks. Table 3 presents a closer look at this upper echelon. As stated earlier, women comprised 11.6% of the senior academic positions in 1994, and this had risen to 19.2% by 2003. Half of the growth in posts Above Senior Lecturer went to women (49.8%), including 63% of the growth in positions Above Professor. This is arguably an excellent result, as women occupied less than one third of the Senior Lecturer level, this being the most likely source of promotion into Above Senior Lecturer ranks. The number of female professors almost doubled over the decade, and appointments of female professors represented almost one third of all such appointments. The improvement in the proportion of women has been strongest at the Reader/Associate Professor level, and 76.3% of the growth in the number of academic staff at this level came from female academics.

The situation at the very top in Australia also sees a female under-representation, with 11 out of 38 vice-chancellors (29%) being women. By way of comparison, gender-equality in the United Kingdom is more remote: among

<table>
<thead>
<tr>
<th>Table 3. Academic staff 1994-2003 (FTE): Above Senior Lecturer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Growth</td>
</tr>
<tr>
<td>No. %</td>
</tr>
<tr>
<td>Female and male</td>
</tr>
<tr>
<td>Above Professor 125 159 194 150 144 157</td>
</tr>
<tr>
<td>Professor 2 359 2 657 2 756 2 898 3 079 3 215</td>
</tr>
<tr>
<td>Reader/Associate Professor 3 282 3 498 3 602 3 604 3 745 3 839</td>
</tr>
<tr>
<td>Total 5 766 6 314 6 553 6 652 6 968 7 211</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Above Professor 16 29 34 28 29 36</td>
</tr>
<tr>
<td>Professor 225 341 364 406 454 499</td>
</tr>
<tr>
<td>Reader/Associate Professor 426 606 659 707 789 850</td>
</tr>
<tr>
<td>Total 666 975 1 058 1 141 1 272 1 385 719 107.9</td>
</tr>
<tr>
<td>Female %</td>
</tr>
<tr>
<td>Above Professor 12.4 18.3 17.5 18.9 20.1 22.7</td>
</tr>
<tr>
<td>Professor 9.5 12.8 13.2 14.0 14.7 15.5</td>
</tr>
<tr>
<td>Reader/Associate Professor 13.0 17.3 18.3 19.6 21.1 22.2</td>
</tr>
<tr>
<td>Total 11.6 15.4 16.1 17.2 18.3 19.2</td>
</tr>
</tbody>
</table>

UK universities, it was reported that there were only 10 female vice-chancellors, representing 8% of the total (THES, 2004). Of course, it is extremely difficult to rise to the level of vice-chancellor. In the Australian case, female vice-chancellors represent 0.09% of all female academic staff. For men, the chance of rising to the very top is scarcely better, with male vice-chancellors representing 0.13% of all male academics.

Broken down by sex: general staff

As noted earlier, general staff represent 57% of the total of all fulltime and fractional fulltime staff. Table 1 also revealed that the growth in the number of general staff over the past decade represented over 69% of growth in staff numbers overall.

Table 4 considers changes in the numbers of general staff, by level, between 1994 and 2003. There was considerable growth in the number of female general staff, and in fact a small decline in the number of male staff. There appears to have been an increase of about 1% per year in the total

<table>
<thead>
<tr>
<th>Table 4. General staff by sex and level 1994–2003 (FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Staff</td>
</tr>
<tr>
<td>Sex</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Female %</td>
</tr>
<tr>
<td>Level</td>
</tr>
<tr>
<td>Junior</td>
</tr>
<tr>
<td>Middle</td>
</tr>
<tr>
<td>Senior</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Female staff % of all</td>
</tr>
<tr>
<td>Junior</td>
</tr>
<tr>
<td>Middle</td>
</tr>
<tr>
<td>Senior</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

proportion represented by women, although the proportion changed little between 2002 and 2003.

One of the most telling trends which can be identified is that there has been considerable “seniority creep” at the lower end of general staff salary scales. Although seniority creep is common enough in Australian academe, where academic staff often gain promotion between the ranks on the basis of their research or other performance rather than the existence of a vacancy at that level, this is far less common among general staff. Staff positions tend to be established at a particular level and will be inflated above that level only if it is considered that the scope of the job has increased. The proportion of female staff is much higher for Junior (62.4%) and Middle (63.9%) level positions in 2003. Women’s proportion of senior posts is still below 50%, although the proportion increased from 33.3% in 1994 to 44.6% in 2003.

At the top

Table 5 looks at the senior levels of general staff classifications, for which the number of women increased by 1891 or 128.3%. As was the case with academic staff, there has been considerable improvement in the number and

<table>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>4430</td>
<td>5703</td>
<td>5847</td>
<td>6316</td>
<td>6986</td>
<td>7545</td>
<td>3115</td>
</tr>
<tr>
<td>Female and male</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HEW 8</td>
<td>2183</td>
<td>2818</td>
<td>2943</td>
<td>3077</td>
<td>3419</td>
<td>3694</td>
<td>1511</td>
</tr>
<tr>
<td>HEW 9</td>
<td>852</td>
<td>1222</td>
<td>1254</td>
<td>1429</td>
<td>1571</td>
<td>1767</td>
<td>916</td>
</tr>
<tr>
<td>HEW 10</td>
<td>525</td>
<td>753</td>
<td>758</td>
<td>851</td>
<td>900</td>
<td>962</td>
<td>438</td>
</tr>
<tr>
<td>Above HEW 10</td>
<td>871</td>
<td>910</td>
<td>892</td>
<td>959</td>
<td>1096</td>
<td>1121</td>
<td>250</td>
</tr>
<tr>
<td>Total</td>
<td>4430</td>
<td>5703</td>
<td>5847</td>
<td>6316</td>
<td>6986</td>
<td>7545</td>
<td>3115</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HEW 8</td>
<td>798</td>
<td>1257</td>
<td>1349</td>
<td>1418</td>
<td>1610</td>
<td>1759</td>
<td>961</td>
</tr>
<tr>
<td>HEW 9</td>
<td>324</td>
<td>516</td>
<td>509</td>
<td>596</td>
<td>686</td>
<td>789</td>
<td>465</td>
</tr>
<tr>
<td>HEW 10</td>
<td>153</td>
<td>296</td>
<td>308</td>
<td>355</td>
<td>373</td>
<td>413</td>
<td>259</td>
</tr>
<tr>
<td>Above HEW 10</td>
<td>198</td>
<td>279</td>
<td>278</td>
<td>307</td>
<td>391</td>
<td>404</td>
<td>206</td>
</tr>
<tr>
<td>Total</td>
<td>1474</td>
<td>2348</td>
<td>2444</td>
<td>2676</td>
<td>3060</td>
<td>3365</td>
<td>1891</td>
</tr>
<tr>
<td>Female %</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HEW 8</td>
<td>36.6</td>
<td>44.6</td>
<td>45.8</td>
<td>46.1</td>
<td>47.1</td>
<td>47.6</td>
<td>63.6</td>
</tr>
<tr>
<td>HEW 9</td>
<td>38.0</td>
<td>42.2</td>
<td>40.6</td>
<td>41.7</td>
<td>43.6</td>
<td>44.6</td>
<td>50.8</td>
</tr>
<tr>
<td>HEW 10</td>
<td>29.2</td>
<td>39.3</td>
<td>40.6</td>
<td>41.7</td>
<td>41.4</td>
<td>42.9</td>
<td>59.3</td>
</tr>
<tr>
<td>Above HEW 10</td>
<td>22.8</td>
<td>30.7</td>
<td>31.2</td>
<td>32.0</td>
<td>35.6</td>
<td>36.0</td>
<td>82.2</td>
</tr>
<tr>
<td>Total</td>
<td>33.3</td>
<td>41.2</td>
<td>41.8</td>
<td>42.4</td>
<td>43.8</td>
<td>44.6</td>
<td>60.7</td>
</tr>
</tbody>
</table>

proportion of women in the most senior (Above HEW 10) positions. Their proportion increased from 22.8% a decade ago, to 36.0% in 2003. Women are approaching the point of occupying half of posts at level HEW 8, but this is nothing like their presence overall among university general staff (which was 60.3% in 2003; see Table 4).

Table 6 looks at the administrative departments in which senior levels of general staff are employed, and how the gender distribution has changed over time. Libraries and Student services departments had female majorities at senior levels in 1994, and these departments were joined by Public services, External studies, Education research and Other academic support departments by 2003. Senior women were in much lower numbers in areas such as buildings (including security and cleaning) computer centres.

**Broken down by age: the aging university workforce**

Both the academic and general staff workforces in Australian universities are aging. Figure 2 summarises the changes which have taken place over the past decade. The Figure shows that a lower proportion of the academic staff is aged less than 35 years. Perhaps this is to be expected. Academic work usually has a higher degree as an entry requirement, and the majority of academic staff will have spent many years into their 20s as fulltime students before starting an academic career. By comparison, some entrants to the general staff are apprentices, or straight out of secondary school, even though these days...
many staff in the administrative positions are likely to have undertaken undergraduate study.

The graph also shows that there are higher proportions of academic staff in aged categories aged 35-49, and aged over 49 years than is the case for general staff.

Table 7 summarises FTE numbers of staff, both academic and general. For both categories of staff, the predominant growth age group is of staff aged over 49 years. For academics, this group has grown by 3 212, or 35.1%, compared with a growth to 4 443 or 52.9% for general staff. The loss of younger staff has been greater among academics (about 15.4%, compared with about 6.4% for general staff). However, the pattern for younger staff (both academic and general) in recent years suggests that there has been a turn-around. The number of academic staff aged less than 35 years increased by around 500 between 2001 and 2003, and by 300 between 2002 and 2003. There are now more academic staff in this younger age group than in 1999. For general staff, numbers of younger staff have climbed each year since a low point in 2000.

The aging of the academic workforce in particular has been considered an issue for a number of years. Although massification of higher education has seen a rapid increase in the number of students, the number of academic staff has not kept pace. The Australian vice-chancellors' Committee produced statistics which show that the ratio of students to staff has increased from 14.3 in 1993 to 21.4 in 2002 (AVCC, 2003). Another factor has been legislation in Australia which outlawed discrimination on the grounds of age. Termination
of employment by an employer on the grounds of age is unlawful (Sheehan et al., 1997, p. 1). This means that no longer is there compulsory retirement at age 65, which for tenured staff had previously been the case. It was feared at the time that the situation with the academic labour market might effectively lock out newer entrants, and there were concerns that staff costs would be higher for universities, because a higher proportion of their academic staffs were likely to hold tenured and/or more senior posts (Sheehan et al., 1997, pp. 4-6).

One of the issues so far as the academic workforce is concerned is the differential rates of aging between academic disciplines, as shown in Table 8. The age distribution profile in the science and technology fields is rather lower than for the rest of the academic population, in the low 30% range. On the other hand creative arts, society and culture, management and commerce and education have a rather more mature age profile, with education clearly having the oldest age profile.

Table 7. **Academic and general staff 1994-2003 (FTE): Age distribution**

<table>
<thead>
<tr>
<th>Age group</th>
<th>1994</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td><strong>Academic staff</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aged less than 35</td>
<td>5,240</td>
<td>4,405</td>
<td>4,313</td>
<td>4,320</td>
<td>4,533</td>
<td>4,829</td>
<td>-411</td>
</tr>
<tr>
<td>Aged 35-49</td>
<td>15,891</td>
<td>14,693</td>
<td>14,518</td>
<td>14,375</td>
<td>14,504</td>
<td>14,677</td>
<td>-1,214</td>
</tr>
<tr>
<td>Aged over 49</td>
<td>9,144</td>
<td>10,624</td>
<td>11,026</td>
<td>11,562</td>
<td>11,910</td>
<td>12,357</td>
<td>3,212</td>
</tr>
<tr>
<td>Total academic</td>
<td>30,276</td>
<td>29,723</td>
<td>29,857</td>
<td>30,257</td>
<td>30,947</td>
<td>31,863</td>
<td>1,587</td>
</tr>
<tr>
<td>% &gt; 49</td>
<td>30.2</td>
<td>35.7</td>
<td>36.9</td>
<td>38.2</td>
<td>38.5</td>
<td>38.8</td>
<td></td>
</tr>
<tr>
<td><strong>General staff</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aged less than 35</td>
<td>14,030</td>
<td>12,121</td>
<td>11,783</td>
<td>11,823</td>
<td>12,347</td>
<td>12,805</td>
<td>-1,225</td>
</tr>
<tr>
<td>Aged 35-49</td>
<td>17,547</td>
<td>17,239</td>
<td>17,140</td>
<td>17,093</td>
<td>17,499</td>
<td>17,946</td>
<td>398</td>
</tr>
<tr>
<td>Aged over 49</td>
<td>8,406</td>
<td>10,102</td>
<td>10,687</td>
<td>11,379</td>
<td>12,045</td>
<td>12,848</td>
<td>4,443</td>
</tr>
<tr>
<td>Total general</td>
<td>39,983</td>
<td>39,461</td>
<td>39,611</td>
<td>40,295</td>
<td>41,891</td>
<td>43,599</td>
<td>3,616</td>
</tr>
<tr>
<td>% &gt; 49</td>
<td>21.0</td>
<td>25.6</td>
<td>27.0</td>
<td>28.2</td>
<td>28.8</td>
<td>29.5</td>
<td></td>
</tr>
<tr>
<td>Total acad. and general</td>
<td>70,259</td>
<td>69,184</td>
<td>69,467</td>
<td>70,552</td>
<td>72,838</td>
<td>75,462</td>
<td>5,203</td>
</tr>
</tbody>
</table>

age alone is not a major determinant of research performance... There is a predictable rise in performance at the beginning of a professional career as the researcher becomes established, and in some fields, and on average, a slight but noticeable decline towards the end…”

Perhaps, then, the current shape of the age distribution curve indicates future (and present?) lower performance in what are essentially the non-science disciplines. On the other hand, the future might be rosy in science, engineering and technology disciplines.

**Conclusion**

Although this paper has a less than serious title (based on an old demographers’ joke), its content is not as trivial. On the gender issue, the numbers of women, and their level of seniority have increased fairly rapidly over the past decade. Women now account for 38% of academic and 60% of general staff. However, post secondary education is the only tier of education in which female academics are in the minority. In 2003, 55.3% of secondary teachers were female and 79.1% of primary teachers (ABS, 2004). Historically part of the reason might have been the high level of academic qualification required to become a university teacher/researcher. Most university academics hold a PhD qualification, and as more women gain this qualification, the greater will be their access to a university academic career. In 1979, female students made up 24% of Australia’s 5 753 PhD enrolments (DEET, 1995, p. 13). By 2002, they comprised 48% of over 29 000 PhD enrolments (DEST, 2003, Table 27). Therefore, over time, there is likely to be a large enough stock of women to enter, and progress through an academic career, and reach the top. However, there is still a relative “surplus” of men over women at the

<table>
<thead>
<tr>
<th>Field of education</th>
<th>Age &lt; 35</th>
<th>Age 35-49</th>
<th>Age &gt; 49</th>
<th>Total</th>
<th>% &gt; 49</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural and physical sciences</td>
<td>1332</td>
<td>2765</td>
<td>1851</td>
<td>5948</td>
<td>31.1</td>
</tr>
<tr>
<td>Information technology</td>
<td>388</td>
<td>902</td>
<td>619</td>
<td>1910</td>
<td>32.4</td>
</tr>
<tr>
<td>Engineering</td>
<td>474</td>
<td>1197</td>
<td>799</td>
<td>2470</td>
<td>32.4</td>
</tr>
<tr>
<td>Architecture and building</td>
<td>66</td>
<td>273</td>
<td>214</td>
<td>552</td>
<td>38.7</td>
</tr>
<tr>
<td>Agriculture and environment</td>
<td>95</td>
<td>344</td>
<td>248</td>
<td>687</td>
<td>36.1</td>
</tr>
<tr>
<td>Health</td>
<td>768</td>
<td>2302</td>
<td>1564</td>
<td>4634</td>
<td>33.8</td>
</tr>
<tr>
<td>Education</td>
<td>95</td>
<td>695</td>
<td>1109</td>
<td>1898</td>
<td>58.4</td>
</tr>
<tr>
<td>Management and commerce</td>
<td>369</td>
<td>1420</td>
<td>1340</td>
<td>3129</td>
<td>42.8</td>
</tr>
<tr>
<td>Society and culture</td>
<td>761</td>
<td>3076</td>
<td>3035</td>
<td>6872</td>
<td>44.2</td>
</tr>
<tr>
<td>Creative arts</td>
<td>130</td>
<td>831</td>
<td>762</td>
<td>1722</td>
<td>44.2</td>
</tr>
<tr>
<td>Not known/Not acad. dept.</td>
<td>351</td>
<td>873</td>
<td>815</td>
<td>2039</td>
<td>40.0</td>
</tr>
</tbody>
</table>

2003 Total 4829 14677 12357 31863 38.8

levels of senior lecturer and above senior lecturer, and the equalisation of numbers of male and female academics is likely to be a slow process.

So far as general staff are concerned, women hold a strong majority overall, and seem to be approaching half of senior level general staff positions. Over the decade examined in this paper, women have gone from 33% to nearly 45% of senior positions.

The university labour force is aging, and is likely to continue to do so. For academic staff, the humanities, management and education have the oldest age distributions. It is difficult to know whether or not relative antiquity means lower levels of productivity for these disciplines. The humanities are more likely to have female academic staff, but the analysis undertaken here did not seek to see if female academics are the older or younger staff in those disciplines.

It was noted above that rates of tenure for academic staff differed between the sexes, but that the gap was closing. Many first appointments will be to untenured posts, particularly research academic posts, but tenure is often available later in a career. Therefore, new entrants to an academic career will nearly all start with an untenured position. Given that there has been a surge of new female academics, and as new entrants they are likely to be untenured (as will their male counterparts).

If universities are to face a situation where teaching and/or research productivity has declined, it might become necessary in the future to institute new performance requirements for staff to maintain tenure. Perhaps financial inducements, through acceptable redundancy packages and superannuation, will be necessary for universities to shed unproductive staff and to maintain the vibrancy of youth through their academic staff. In the present climate, however, such financial measures seem unlikely.

The situation with the aging general staff population is less likely to have the same impact. Universities become renowned for the quality of their teaching, research and scholarship. No university has ever been applauded for its efficient administration.

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Notes

1. The methodology used for “official” student counts changed from 2001. The figure quoted above for 2002 was calculated according to the same methodology as that used in 1989 and the two figures are therefore consistent. The published figure for 2002 was over 896,000.

2. Members of staff in academic classifications are coded to one of four levels: Below Lecturer (Level A), Lecturer (Level B); Senior Lecturer (Level C) and Above Senior Lecturer (Level D, Level E and above Level E). Staff in the Above Senior Lecturer category include Readers/Associate Professors (Level D), Professors (Level E) and Vice-Chancellors, Deputy or Pro-Vice-Chancellors. All but a few staff in academic classifications are involved in teaching and/or research.

3. General Staff are classified according to twelve bands of Higher Education Worker (HEW). HEW levels range from Below HEW 1 (such as for trainee positions, etc.) to Above Level 10 (for the most senior administrators). In Table 4, Junior, Middle and Senior relate to HEW < 1-3, HEW 4-7 and > HEW 7, respectively. General staff are officially designated as “non-academic” classifications, and for most, their function is described as “other”, but includes academic support such as technical, computing and libraries, educational research and development, external studies and audio-visual centres, student services, public services, general university services including administration in central and academic departments, work in buildings, plant and grounds departments.

References

Australian Bureau of Statistics (ABS) (2004), Schools, Australia, Canberra, Cat. 4221.0.


Trade Liberalisation, Regional Agreements and Implications for Higher Education

by

Angel J. Calderon and J. Tangas*
RMIT University, Australia

According to the OECD, the value of global annual trade in 1999 in higher education has been estimated at USD 30 billion. Australia is a major participant in international education: it is the third-largest international student destination in the English-speaking world behind the United States and the United Kingdom. In recent times, the Australian government has been very active in establishing free trade agreement with key trading partners.

This article will discuss developments in bilateral and multilateral agreements and their implications for higher education. It will also look at the state of play of the World Trade Organisation (WTO) negotiations towards the General Agreement on Trade in Services. It will be presented from the perspective of an institution actively involved in overseas student recruitment and offshore delivery of programs/services.

* This paper was written whilst J. Tangas was employed at RMIT.
Introduction

This article brings into perspective developments in bilateral and multilateral trade agreements and their implications for higher education, including the current status of the General Agreement on Trade in Services (GATS, see www.wto.org), from an Australian perspective.

Furthermore, it identifies a number of emerging issues in international education and discusses the implications of such issues for higher education providers and countries engaged in free trade negotiations.

International frameworks for trade in education

The growing importance of trade in educational services globally is reflected in the following points identified by Saner and Fasel (2003):

- The value of annual trade, in 1999, in higher education services has been estimated at USD 30 billion, reaching 50% of trade in financial services estimated at USD 59.3 billion. The estimates of trade in educational services would be higher if estimates were available for the total trade in all education sectors.

- High quality education can positively influence labour factor conditions of a country’s economic development. Most countries consider investment in education as being of strategic importance to enhance national competitiveness and to increase opportunities to attract foreign direct investment.

Almost two million students worldwide are currently involved in formal education outside their own country and the international market for education services is expected to triple in size over the next 20 years, considerably faster than growth in the previous 20 years when there was a doubling in size (OECD, 2004).

The accelerated growth in education services is driven by a range of factors, including the greater demand for linguistic skills and cultural understanding, in an increasingly globalised and knowledge-based economic environment. Estimates for OECD countries indicate that almost 30% of the workforce is highly skilled and employed in knowledge intensive jobs in advanced economies (ibid.).

The market in international education occurs predominantly via the movement of students overseas for the purposes of study (consumption
abroad mode of supply) and universities setting up branch campuses in other countries (commercial presence). However, the advances in information and communication technologies have seen the growth in cross-border supply or distance education services as the new technologies enable the delivery of complex audio and visual content relatively inexpensively. For example, in the United States the electronic learning market is already worth USD 8 billion and has been growing at an average of 98% over the past five years (ibid.).

Although the leaders in the export of education services are developed English-speaking countries such as the United States, the United Kingdom and Australia (OECD countries received 85% of the world’s foreign students), the movement of higher education students occurs at all levels of development. Australia’s trade in higher education is spread across the three categories of the United Nations Human Development Index for classifying the level of economic development (Garrett and Verbik, 2003). The OECD also points to developing countries, which are establishing themselves in the international higher education market, including South Africa, China, India, Malaysia and Thailand.

As trade in education services has accelerated in recent years, education has become a key focus of the General Agreement on Trade in Services (GATS). Also, since the disappointing results of the Cancun round of GATS negotiations in 2003, education is a key focus of bilateral agreements and regional agreements.

Australia is a major participant in international education: it is the third-largest international student destination in the English-speaking world behind the United States and the United Kingdom. As a developed economy, which is attempting to exploit its potential in knowledge creation, exploitation and transfer, Australia’s future prosperity will be greatly impacted by developments that affect its research and educational capacity. Australia, therefore, has a major interest in the outcomes of the WTO negotiations in the General Agreement on Trade in Services and in the accelerated level of activity in negotiations of bilateral and regional trade agreements globally.

**Brief history of GATS**

The General Agreement on Trade in Services “is the first and only set of multilateral rules covering international trade in services”. It dates back to 1994, and is the services counterpart of the General Agreement on Tariffs and Trade (GATT), which has regulated the trade in goods since 1947. The World Trade Organization (WTO) administers both GATS and GATT. The GATS addresses 12 categories of services, one of which is education.
From an Australian perspective the implementation of GATS is important for a number of reasons, including:

● As is the case for other developed economies, services account for the majority of economic activity in Australia, and this proportion is growing as manufacturing industries relocate to countries where labour costs are lower.

● Australia is committed to the establishment of a global trade system because its trade balance is likely to suffer in a world carved up into a series of regional free trade agreements. Australia’s small population size is also a major disadvantage in the negotiation of bilateral free trade agreements with the major economic powers.

● Australia is a major education exporter and sees its interests being best served in an untrammelled international education market.

**Key principles of GATS**

The GATS has two parts: the framework agreement containing the general rules and disciplines, and the national “schedules”, which list individual countries’ specific commitments on access to their domestic markets by foreign suppliers.

The key principles of GATS are threefold:

● the Market Access principle, under which “each Member shall accord services and service suppliers of any other Member treatment no less favourably than that provided for under the terms, limitations and conditions agreed and specified in its Schedule” (XVI.1);

● the National Treatment principle, which provides for non-discrimination regarding conditions of competition once a service or a provider is in the market;

● the Most Favoured Nation principle, under which there should not be discrimination between the treatment of member countries.

Related to these principles is the requirement that regulations addressing market entry should be transparent.

The GATS classifies trade in services into four numbered modes:

1. **Cross-border supply** (such as distance education).
2. **Consumption abroad** (such as a student travelling abroad to study).
3. **Commercial presence** (such as foreign branch campuses, or foreigners partnering with local providers).
4. **Presence of natural persons** (such as lecturers travelling temporarily abroad to teach).
Some of the barriers to the four modes of supply identified by DEST (RMIT IRCU 2003a) include:

- **Cross border supply**: Importation of educational materials (textbooks and software to support distance education), blanket non-recognition for this mode of supply.
- **Consumption abroad**: Host economy employment rules, visa requirements, foreign exchange requirements.
- **Commercial presence**: Limits on ownership, rules on twinning arrangements.
- **Presence of natural persons**: Visas and immigration requirements.

### The Doha round of negotiations

The process for negotiation in the early stages of the Uruguay Round (early 1990s) entailed each member country submitting a national schedule. This schedule listed each sub-sector and each mode of supply, and set out whether Market Access or National Treatment was to be offered to foreign service suppliers in each case.

World Trade Organisation (WTO) member countries agreed in Doha, Qatar, in November 2001 to launch a new round of WTO negotiations. In 2002, participant countries filed requests asking trading partners to open their markets in service areas. Countries that were the subject of requests then presented offers to open their markets in service areas. Progress in this process was reviewed at the Mexico Conference (Cancun) of the WTO in September 2003, but the talks failed to reach agreement on further multilateral liberalisation of trade in goods and services. As a result, the Doha negotiating round could not be completed by early 2005, as was initially expected.

The Doha round of negotiations has aimed at cutting tariffs on farm products and manufactured goods, removing impediments to international trade in services, rewriting contentious anti-dumping rules, introducing new rules on investment and competition policy; and improving rules in areas such as intellectual property and the dispute settlement system.

The Cancun talks failed primarily because developing countries were unable to convince the United States, European Union and Japan to lower or eliminate export subsidies and tariffs on agricultural commodities. The failure to reach agreement may lead to a new round of negotiations. The WTO Council for Trade in Services met in October 2003 to discuss the general process going forward but did not issue any new recommendations.

### GATS and trade in educational services

Under GATS, the education sector is divided into five sub-sectors: primary, secondary, higher, adult, and other. (The WTO classifies post-
secondary technical and vocational education as higher education.) Trade in educational services is receiving growing attention and has elicited increasingly heated reactions by various stakeholders ranging from governments, private sector investors, and academics’ unions to student associations in OECD and developing countries (RMIT IRCU, 2003b).

Trade in education services is inherently cross-sectoral; affecting trade, economics, education and culture and different international institutions are mandated to deal with its different aspects. Trade in educational services is the focus of WTO; cross-national recognition of educational products is handled through UNESCO.

The USA’s GATS’ requests on education provide a good indication of the content of negotiations in the Doha round:

- **China:**
  - remove ban on education services provided by foreign companies and organisations via satellite networks;
  - remove requirements for foreign educational institutions to partner with Chinese universities;
  - remove ban on for-profit operations in education and training services;
  - relax other operational limits and restrictions on geographic scope of activities.

- **South Africa:**
  - remove burdensome requirements, including non-transparent needs tests, applicable to foreign universities operating, or seeking to operate, in South Africa.

- **Turkey, Italy:**
  - remove requirement that foreign entities teach only non-national students.

- **Greece:**
  - remove restriction that the granting of degrees is limited to Greek institutions only.

- **India, Philippines, and Thailand:**
  - remove ownership limitations on joint ventures with local partners.

- **Japan, Israel:**
  - recognise degrees issued by accredited institutions of higher education (including those issued by branch campuses of accredited institutions); and adopt a policy of transparency in government licensing and accrediting policy with respect to higher education and training.
In 2002 the number of countries committing to market access and national treatment in the different education sectors was small but relatively constant: 30 on primary education, 35 on secondary education, 32 on tertiary education and 32 on adult education (OECD, 2003). Although these are “standstill” commitments, which do not represent any new liberalising of trade policies, they do bind these policies in an international legal framework and make the introduction of new restrictive measures considerably more difficult. Most countries have more open trade environments than their GATS schedules would suggest, but are unwilling to bind these policies into a legally-enforceable international agreement in which retracting commitments to open markets is difficult and potentially costly.

Members have made commitments in line with their perceived interests. Japan has made offers on adult and other education, but not higher education. The United States has made limited commitments, Australia and New Zealand have made no further commitments in the Doha Round, and Canada has made no commitments at all in relation to education.

A clear relationship has been established between the level of commitments made and the level of private funding of education, in a particular country. The pattern identified is that the lower the level of private funding, the more significant the commitments. For example, New Zealand and Australia have lower levels of private funds directed to higher education than Malaysia and Singapore; and the former countries have made significant commitments to market openness in higher education, while the latter countries have not, retaining the right to restrict the number, size and type of foreign providers operating in these lucrative and fiercely competitive markets.

Ultimately the GATS is expected to benefit large US for profit educational providers, particularly those like Sylvan and Apollo, with their grasp on online delivery.

**Australia’s education related commitments under GATS**

Australia is one of 32 WTO members, of a total of 147, to make commitments in regard to tertiary education. In the Uruguay Round of negotiations (1993/94), Australia committed to the following:

- market access: to allow foreign providers access to the Australian market;
- national treatment: not to discriminate between local and foreign providers;
- cross border supply: Learning via distance education sourced from abroad can be recognised in Australia. No restrictions to recognition based on source country;
● consumption abroad: Australian students’ overseas learning can be recognised. No restrictions on choice of institution based country to which a student travels;

● commercial presence: Foreign providers can establish a presence in Australia; Australia has not committed, in order to preclude government funding going to foreign institutions.

   Australia agreed to market access and national treatment of foreign providers in private education only, from the beginning of 1995. Australia has made commitments to allow market access to foreign providers in Australia through three modes of supply: cross-border (distance education), consumption abroad (Australian students travelling to study overseas), and commercial presence, (establishing a physical presence in Australia). Australia did not commit to national treatment for commercial presence in order to maintain a capacity to discriminate between local and foreign providers in relation to government funding.

   Australia’s national treatment commitments as they apply to higher education are that Australia must extend equivalent treatment to:

● local private providers (e.g. Bond University, Notre Dame University);

● foreign providers via cross-border delivery (e.g. Australian students enrolling in a foreign distance education or online program while in Australia);

● foreign providers via consumption abroad (e.g. Australian students undertaking study overseas).

**Government procurement**

   GATS allows for the exclusion from GATS’ agreements of “a service supplied in the exercise of governmental authority”, which is defined as “any service which is supplied neither on a commercial basis, nor in competition with one or more service suppliers” (WTO, 2004). The Australian Minister for Trade referred to this provision in a November 2003 briefing note, where he reiterated that “it is proposed that all subsidies and grants will be explicitly excluded from the services chapter, along with services supplied in the exercise of governmental authority” (DFAT, 2003b).

   Thus education should be excluded, although there is some conjecture that Australia's mix of private and public provision, where government monies flow to private institutions, may allow for more complex interpretations. There continues to be considerable disagreement, both in Australia and overseas, about the extent to which different types of subsidies (such as funding of student places and research funding) constitute government procurement, and should thus be exempted from coverage under the GATS.
Australia has not entered into national treatment agreements in relation to public education, and has committed to the protection of all public research grants in all sectors. The United States, Australia and New Zealand have made negotiating proposals to the WTO that explicitly recognise that education is, to a large extent, a government function and that the private sector should supplement, rather than displace, public provision.

**Australian regulations**

Countries sometimes protect incursions into their service sectors through other regulations linked to quality or national interest. Australia has been proactive in developing a regulatory framework to ensure not only the quality, but also the international openness, of the sector. Since 1995, Australian governments have taken steps to formalise processes for approvals and recognition of foreign providers operating in Australia, in line with the standards applying to local providers. The Ministerial Council on Employment, Education, Training and Youth Affairs' National Protocols for Higher Education Approval Processes (MCEETYA, 2000) sets out the standards expected of universities, irrespective of whether they are existing providers or new entrants, locally-based, or of international origin.

The development of the Australian Universities Quality Agency (AUQA) has had a positive impact on the accountability and transparency of transnational programs with specific reference to the Australian Vice-Chancellors’ Committee’s Provision of Education to International Students: Code and Guidelines for Australian Universities. In vocational education and training (VET), Australia has a nationally consistent approach to quality assurance for products and services, which operates under the auspices of the Australian National Training Authority (ANTA), National Training Quality Council. The Australian Quality Training Framework (AQTF) commenced full implementation by States and Territories in 2002.

Other initiatives include Australia becoming the first non-European country to ratify the Lisbon Recognition Convention. This Convention, developed by the Council of Europe and UNESCO, facilitates mutual academic recognition and mobility of qualifications amongst signatory countries. Australia helped frame the Code of Good Practice in the Provision of Transnational Education, which is included under the Lisbon Recognition Convention. Australia’s multifaceted approach provides an example of the ways in which institutional standards can be ensured in an open international environment.

**Outside GATS: Regional and bilateral agreements**

A key rule of the multilateral trade system is that reductions in trade barriers should be applied, on a most-favoured nation basis, to all WTO
members. This means that no WTO member should be discriminated against by another member’s trade regime. However, an important exception to this rule is allowed for regional trade agreements (RTAs), under which reductions in trade barriers only apply to the countries that form the arrangement. This exception is contained in Article XXIV of the General Agreement on Tariffs and Trade (GATT), for trade in goods, and in Article V of the General Agreement on Trade in Services (GATS), for Trade in Services (DFAT, 2004).

There are two major types of regional trade agreements under the WTO: customs unions and free trade areas, with interim agreements being arrangements in place during the transition period, ultimately leading to the creation of a customs union or a free trade area. Under a customs union, parties to the agreement eliminate tariffs and other trade barriers, between themselves, and also maintain a common external tariff against non-parties. Parties to a free trade area agree to eliminate tariffs and other trade barriers between themselves. However, each individual country maintains its own tariff policy against non-parties to the agreement.

The most well known customs union is the European Union. Customs unions are more complex to negotiate than free trade areas, because all countries in the union must agree on joint external trade policies.

While free trade in goods has been the focus of virtually all Free-Trade Agreements (FTAs) concluded to date, the WTO also provides for bilateral or regional agreements liberalising trade in services. Technically, these are called “economic integration agreements” (EIAs), sometimes described as “services FTAs”. The conditions for concluding EIAs as exceptions to the Most Favoured Nation principle are set out in Article V of the General Agreement on Trade in Services (GATS). EIAs are allowed as long as they a) have substantial sectoral coverage, and b) provide for the absence or elimination of substantially all discrimination between parties; through i) elimination of existing discriminatory measures, and/or ii) prohibition of new or more discriminatory measures. To date, no EIA covering services has been concluded separately from an FTA covering trade in goods as well (DFAT, 2004a).

While an FTA, as defined under the WTO, does not have to include trade in services, most contemporary agreements that are labelled “Free Trade Agreements” cover both goods and services, reflecting the growing importance of the services in the global economy. Such agreements are effectively a combination of FTAs and EIAs. In fact, FTAs together with EIAs provide a framework under which countries can negotiate a range of other bilateral undertakings governing their economic relations. In addition to trade in goods and services, Free Trade Agreements frequently cover such issues as investment protection and promotion, and government procurement and competition policy, which are either not yet encompassed by WTO rules, or
only partially covered, for example, the recently completed Australia and United States Free Agreement.

FTAs often also contain practical provisions in areas such as harmonisation or mutual recognition of technical standards, customs cooperation, application of subsidies or anti-dumping policies, electronic commerce, and protection of intellectual property rights. Such provisions do not have to be included in FTAs under WTO rules, but they can play an important role in facilitating trade between the parties and in a broader regional context. For example, in the EU-US FTA, there are commitments in relation to intellectual property rights.

The failure of the Cancun talks, in particular, has seen a renewed interest in bilateral and regional trade agreements. The European Union is reviewing its approach and the United States has indicated that it will accelerate its pursuit of bilateral agreements. In October 2003, the Asia-only economic grouping, ASEAN + 3 (China, Japan, Korea) reached agreement to establish a European Union-style economic integration zone by 2020. In addition to the broader economic grouping with its “dialogue partners”, the October 2003 meeting resulted in a preliminary statement of co-operation between ASEAN and India.

The vast majority of WTO members are party to one or more regional trade agreements. Over 170 RTAs are currently in force; an additional 70 are estimated to be operational, although not yet notified. By the end of 2005, if RTAs reportedly planned, or already under negotiation, are concluded, the total number of RTAs in force might well approach 300 (RMIT IRCU, 2003).

The dynamics of regionalisation can be broadly grasped by an examination of the major RTAs to have developed over the recent past. The major RTAs are:

- the European Union (EU), consisting of 25 member countries as of 2004, a population of 500 million and an aggregate GDP in excess of USD 8 800 billion;
- the North American Free Trade Agreement (NAFTA), encompassing the United States, Canada and Mexico, an aggregate population of 411 million people and GDP of USD 11 100 billion;
- MERCOSUR, comprising Argentina, Brazil, Paraguay and Uruguay;
- SAPTA, comprising Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka;
- ASEAN FTA, comprising 10 countries, a population of 548 million and a GDP of USD 646 billion;
- ACP-EU, comprising approximately 70 countries in Africa and the Caribbean.
Other emerging RTAs include:
- Free Trade Area of the Americas;
- United States and Central America;
- ASEAN + 3 (China, Japan, Korea), Annual Leaders’ Meeting and meetings of
  finance and foreign ministers;\(^1\)
- ASEAN-Japan Comprehensive Economic Partnership, within the next
  10 years;
- Japan-Mexico, under negotiation;
- Japan-Korea, Joint Study Group established;
- EU-MERCOSUR, under negotiation;
- EU-Mexico, under negotiation.

The above is far from a comprehensive assessment of regional trade
agreements, but it does provide a good indication of the extent and intensity
of trade negotiations worldwide.

As can be seen from the preceding discussion, regionalisation of trade,
economic, political and strategic cooperation is not entirely a recent
development. However, the extent and depth of regionalisation has increased
and is being manifested in various forms. As Australia’s trade in higher
education services is inextricably linked with the Asia-Pacific region, with 71%
of Australian transnational programmes offered in Singapore, Malaysia,
Hong Kong and Mainland China, it is worth considering RTA activity in that
region.

Urata (2004) defines regionalisation as a concentration of economic
activities, including trade in goods, services, capital and people, in a particular
region, and identifies two major types in the Asia-Pacific region – market-led
and institution-led regionalisation. The factors behind market-led
regionalisation are rapid economic growth and multilateral and unilateral
liberalisation in trade and foreign direct investment (FDI) while institution-led
regionalisation refers to the formation of cooperative institutions such as the
Asia-Pacific Economic Cooperation forum (APEC) and the Association of South
East Asian Nations (ASEAN).

Young (2004) identifies three types of regionalism in East Asia – “open
regionalism”, represented by APEC and its promotion of regional cooperation,
which is consistent with globalism or multilateralism; “bilateral regionalism”,
in the form of bilateral FTAs involving one or more East Asian economies; and
“East Asian regionalism”, the effort to promote economic integration among
more than two East Asian economies.

Bilateral agreements have proliferated in the Asia-Pacific region, since
the Asian financial crisis, with Korea and Japan leading the way. Their interest
in a bilateral FTA, and in FTAs with other countries (Japan-Singapore, Korea-Chile), in 1998, triggered increased activity from other Asia-Pacific countries, including Australia, New Zealand, Singapore, Thailand and China. Table 1 demonstrates the extent of RTA activity in the East Asian region.

Table 1. Bilateral agreements in Asia-Pacific Region (based on Young 2004)

<table>
<thead>
<tr>
<th>Completed</th>
<th>Under negotiation</th>
<th>Under study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangkok Treaty (1976)</td>
<td>Japan-Mexico</td>
<td>Japan-ASEAN</td>
</tr>
<tr>
<td>ASEAN FTA (1992)</td>
<td>Japan-Korea</td>
<td>Japan-Chinese Taipei</td>
</tr>
<tr>
<td>Singapore-New Zealand (2001)</td>
<td>Japan-Thailand</td>
<td>Japan-Australia</td>
</tr>
<tr>
<td>Japan-Singapore (2002)</td>
<td>Japan-Philippines</td>
<td>Japan-Chile</td>
</tr>
<tr>
<td>Singapore-Australia (2003)</td>
<td>Singapore-Canada</td>
<td>Korea-ASEAN</td>
</tr>
<tr>
<td>China-Hong Kong (2003)</td>
<td>Singapore-Mexico</td>
<td>Korea-Singapore</td>
</tr>
<tr>
<td>Korea-Chile (2004)</td>
<td>Singapore-EFTA(^1)</td>
<td>Korea-New Zealand</td>
</tr>
<tr>
<td></td>
<td>Thailand-Australia</td>
<td>Thailand-US</td>
</tr>
<tr>
<td></td>
<td>Australia-China</td>
<td>Singapore-Chile</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Singapore-Indian</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ASEAN-India</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ASEAN-US</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thailand-India</td>
</tr>
</tbody>
</table>

1. European FTA comprising Norway, Iceland, Liechtenstein, Switzerland.

This bilateral activity has been accompanied by an augmented role for ASEAN in the negotiation of agreements across the region, generally including the establishment of the ASEAN FTA (AFTA) in 1992, and in 2003, moves towards the formation of an ASEAN Community (ASEAN Vision 2020), underpinned by the three pillars of Economic, Security and Sociocultural Community. ASEAN has, recently, also encouraged the ASEAN + 3 process, which has pursued negotiations with China, Korea and Japan for trade agreements. This has linked the ASEAN agenda with the push for North East Asian regionalism among Korea, China and Japan.

The drivers of institutional regionalisation in the Asia-Pacific region, can be broadly viewed as: the promotion of economic growth, through increased market access, and domestic policy reform; the East-Asian financial crisis of the late 1990s; the emergence of China as an economic power; rivalry among ASEAN members for FTAs; slow progress in the WTO process; and the increasing number of FTAs worldwide.

Analysis by Urata (see Table 2) has identified the economic imperatives for trade regionalisation over the next 20 years. His analysis indicates that the
share of world GDP of major regions will show a significant change for the period from 1990 to 2020:

Table 2. Shares of world GDP by region (Urata, 2004)

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>1990</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>26.1</td>
<td>18.5</td>
</tr>
<tr>
<td>Western Europe</td>
<td>24.8</td>
<td>19.4</td>
</tr>
<tr>
<td>Japan</td>
<td>13.9</td>
<td>9.6</td>
</tr>
<tr>
<td>East Asia</td>
<td>5.4</td>
<td>15.9</td>
</tr>
<tr>
<td>Others</td>
<td>29.8</td>
<td>36.6</td>
</tr>
</tbody>
</table>

Clearly it is in the interests of countries such as Japan and India to tap into the growth, which is projected for East Asia.

In addition, although it is not obvious from the table, the significant growth indicated in the “others” section suggests that regions such as Africa, the Middle East, South Asia and Latin America will gain in importance in future trade negotiations. India, for example, while looking primarily towards ASEAN for trade partnerships, is also exploring the possibility of trade cooperation in the Middle East. At the same time, Thailand and Bahrain are in the second phase of their negotiations on an FTA, and Al Azhar University of Egypt were to open a campus in Thailand 2004 (The Nation, 17 February 2004).

Australia’s free trade agreements

The Australian Government pursues a combined multilateral, regional and bilateral approach to trade policy. The Government is on the record as saying that Free Trade Agreements (FTAs), that are comprehensive in scope and coverage, can complement and provide momentum to Australia's wider multilateral trade objectives. It is expected that progress in regional trade liberalisation will be multilateralised in due course through WTO negotiations (DFAT, 2004). Australia is a party to free trade agreements or frameworks with Singapore, New Zealand, Thailand, China and the United States; and is negotiating an agreement with Indonesia. All of these include education. This section describes the content of the most significant of these agreements from the perspective of higher education in particular.

Australia-United States Free Trade Agreement

The most important of the FTAs, from Australia’s perspective is the recently completed agreement with the United States (AUSFTA). The round of negotiations was successfully concluded in January 2004. For the United States, this FTA is the first with a developed country since the agreement with Canada in 1988.
The AUSFTA includes commitments in agriculture (e.g. beef, dairy), manufacturing (autos and auto parts, paper and wood) and services (telecommunications, financial services, education and training). It also includes commitments concerning intellectual property, investment, competition policy, and rules of origin and government procurement. In addition, Australia has made commitments regarding the Pharmaceutical Benefits Scheme.

Two-way annual goods and services trade with Australia is about AUD 28 billion, and the United States has a AUD 9 billion trade surplus with Australia. Australia is America’s 9th largest goods export market (Trade Facts: Free Trade “down Under”, Summary of the US-Aust FTA- from: US trade representative, Feb 8, 2004, www.ustr.gov). Australian firms in the United States employ about 85 000 Americans and it is estimated that US exports to Australia support more than 150 000 US jobs (ibid.).

A controversial aspect of the agreement is its actual economic benefits to Australia. According to the Centre for International Economics (CIE) analysis, in 10 years time from the advent of the AUSFTA, its most probable effect on Australia’s real GDP is an increase of AUD 6.1 billion per year, or nearly 0.7% above what it might otherwise be. Most of the benefits are due to investment liberalisation, such as the raising of the threshold on US investment from AUD 50 million to AUD 800 million; while merchandise and services trade liberalisation is estimated to contribute approximately AUD 1 billion of total benefits (CIE, 2004). Modelling undertaken on behalf of a Senate Select Committee, on the other hand, shows only minor gains from the agreement. The net gain according to this modelling is AUD 53 million a year, much lower than the AUD 6.1 billion produced by government-commissioned modelling from the CIE. A study compiled by the National Institute of Economic and Industry Research (NIEIR) for the Australian Manufacturing Workers Union, found that the agreement will cost the Australian economy almost AUD 50 billion and up to 200 000 jobs2 (AAP, 2004).

According to the CIE, the relatively small size of the effect of trade liberalisation reflects three major factors. First, both Australia and the United States are already relatively open economies, with average tariffs of 4.5% and 3.6% respectively. Second, when tariffs are removed preferentially, there is some trade diversion, which offsets some of the gains. Third, the services markets of both countries are also relatively open.

The following elements of the agreement impact most on trade in educational services:

- commitments on intellectual property;
- commitments on cross-border supply of services, particularly in relation to licensing requirements;
● commitments relating to recognition of qualifications;
● commitments regarding government procurement.

Intellectual property commitments include the extension of the term of copyright protection from 50 to 70 years after death. They also include provisions relating to disclosure requirements on internet services providers, the treatment of temporary copies in the electronic environment and the proposed prohibition of circumvention devices in the exercise of statutory licences to reproduce and communicate third party copyright material for educational services. The Australian Vice-Chancellor’s Committee (AV-CC, 2004) has recommended that, before any of these provisions are agreed to, they should be fully analysed to assess their impact. Further, appropriate safeguards should be put in place to protect the interests of education providers.

Section 10.7.2 of the Agreement refers to measures relating to qualification requirements and procedures, technical standards, and licensing requirements to ensure that they do not constitute unnecessary barriers to trade in services. According to the National Tertiary Education Union (NTEU, 2004), these provisions have the potential to weaken the accreditation requirements for foreign education providers in Australia. This is in respect to criteria such as equity, affordability and accessibility, and criteria associated with university status, such as offering a broad range of courses and engaging in research to a significant degree.

The Agreement includes provisions for a Working Party on Professional Services with the aim of examining issues such as recognition of qualifications, licensing and certification of professionals and professional standards. However, this Working Party is not required to report for two years after the Agreement comes into force and its recommendations will not be binding on either party to the Agreement.

The chapter on cross-border supply of services specifically excludes government grants and subsidies from the provisions of the Agreement, such that governments in both countries continue to determine how, and whom, they fund. There is also a commitment in the side letter, on supply of education services, that the Agreement would not interfere with the ability of governments to provide funding, subsidies, or grants, to education and training institutions. While the AV-CC is satisfied with the protection of government preferential treatment of public institutions, and local private providers, the National Tertiary Education Union (NTEU, 2004) cautions that the use of other preferential measures are precluded by the Agreement, reducing future government policy flexibility.
Singapore-Australia Free Trade Agreement

The Singapore-Australia Free Trade Agreement (SAFTA) became operational following an exchange of third person notes in July 2003 and includes market access and national treatment provisions across the four modes of supply. It provides for expanded recognition of professional qualifications gained in Australian Institutions. The education-related outcomes for Australia of the SAFTA according to DFAT are:

- the number of Australian law degrees recognised in Singapore have doubled from four to eight;
- removal/easing of residency requirements for Australian professionals;
- mutual recognition agreements (MRAs) between architects and engineers under way;
- national treatment and market access commitments for Australian education providers;
- Singapore government overseas scholarships will be tenable at Australian universities;
- Australian firms gain national treatment in procurement by 47 Singapore agencies;
- protection of intellectual property supplied in government tender processes.

Australia-Thailand Closer Economic Relations Free Trade Agreement

The Australia-Thailand Closer Economic Relations Free Trade Agreement (CER-FTA) was signed in October 2003. It provides for an increase in the limit of Australian ownership of tertiary education institutions specialising in science and technology from 49.9 to 60%, provided they are located outside of Bangkok. It also provides for greater flexibility for temporary entry of business people into Thailand.

Trade and Economic Framework between Australia and the People’s Republic of China

A Trade and Economic Framework between Australia and the People’s Republic of China (DFAT, 2003c), signed in October 2003, articulates a number of steps that the two parties will take to promote strategic cooperation in key sectors with outstanding potential. These sectors include: energy and mining; textiles, clothing and footwear; agriculture; mechanical and electronic products; tourism; education; inspection and quarantine; customs cooperation; environmental protection; investment; information and communications technology; biotechnology; public health; food safety; and intellectual property rights.
On education, the Framework acknowledges the roles of previous memoranda of understanding on cooperation in education and training (1995, 1999 and 2002) in identifying fields of mutual interest and creating opportunities to develop programs for cooperation on the basis of reciprocity and mutual benefit.

In addition, the Framework affirms the importance of education and training in removing obstacles to poverty reduction and economic growth and commits the Parties to meet and discuss education priorities and the expansion of cooperation in education and training.

In regard to higher education specifically, the Framework records an intention to further expand the relationship by concluding an Arrangement on Higher Education Qualifications Recognition.

While in Australia in October 2003, the President of China made four key statements in regard to Australian and Chinese trade:

- Cooperation in the traditional sector of Australian commodity sales to China would be deepened to meet increased demand as China quadruples its GDP over the first 20 years of the century.
- Business links would be diversified as rising Chinese living standards drove up consumption in areas such as telecommunications, culture, technology, science, education and sports. China has identified these areas as Australian strengths.
- Opportunities are opening up in the rural west and the rust-belt north-east of China for Australian entrepreneurs who would be well rewarded for establishing new businesses.
- China is keen to participate in enhanced dialogue with Australia to improve formal frameworks for developing economic relations – that is move towards a bilateral free trade agreement (ibid.).

While the contents of the Framework are general in nature and it includes few specific commitments, it is apparent that both sides view a free trade agreement as being mutually beneficial. In education, the increased demand for higher education from a growing Chinese middle class opens the way for a complementary relationship with Australia, as a sophisticated exporter of education services, could meet the supply-demand gap both domestically and commercial presence modes.

**Australia- New Zealand Closer Economic Relations Agreement (ANZ-CER)**

The 1988 CER Trade in Services Protocol provides for free trans-Tasman trade in all services, with the exception of a number of services, which were subject to existing government regulations when the Protocol was signed, and which are inscribed in the Annex to the Protocol. The basic provisions of the
Protocol are national treatment, market access, rights of commercial presence and most favoured nation treatment. The Protocol operates subject to both countries’ foreign investment policies.

Australia currently has inscribed telecommunications, airport services, domestic air services, international aviation (passenger and freight services), coastal shipping, broadcasting and television (limits on foreign ownership), broadcasting and television (short wave and satellite broadcasting), basic health insurance services, third party insurance, workers’ compensation insurance and postal services (DFAT, 1997).

ASEAN Free Trade Area (AFTA) – Closer Economic Relations (CER) Closer Economic Partnership (CEP)

Australia is also a party to the ASEAN FTA-CER agreement through the agency of the Closer Economic Relations Agreement (entered into force in 1983) between Australia and New Zealand. Through ASEAN Free Trade Area (AFTA)-Closer Economic Relations (CER) Closer Economic Partnership (CEP), Australia is working with ASEAN members and New Zealand to strengthen regional trade links and pursue common trade goals between ASEAN and CER (Australia and New Zealand). A target for the doubling of ASEAN-CER trade and investment by 2010 was adopted in the Ministerial Declaration on the AFTA-CER Closer Economic Partnership in 2002. The current major element of the AFTA-CER work program is a study of non-tariff measures in four specific sectors.

During the ASEAN Economic Ministers Retreat, held in Singapore on 21 April 2004, ASEAN Economic Ministers expressed support for consideration of an ASEAN/Australia/New Zealand Free Trade Area, as well as a summit between ASEAN, Australia and New Zealand, to be held later this year.

Issues for higher education

The brief assessment of Australia’s trade agreements above points to the increasing importance of education generally, and higher education in particular, in the negotiation of services FTAs. This is not surprising given the increased worldwide trade in education services, moves toward “knowledge-based economies” in developed countries and the general trend in developed countries for services to displace the traditional dominance of manufacturing and commodities industries.

This apparently irresistible momentum towards lower trade barriers for education services will inevitably have serious connotations for the various players in higher education, depending on their circumstances, and where they sit, in an international education context. Garrett and Verbik (2003) have provided a useful snapshot of the world’s most active, in importers and
exporters of higher education. Adapting their classification, Table 3 provides a characterisation of some countries activities.

Table 3. **Snapshot of importers/exporters of education**

<table>
<thead>
<tr>
<th>Category</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>High export, low import:</td>
<td>Australia, United Kingdom, United States</td>
</tr>
<tr>
<td>Medium export, low import:</td>
<td>Spain, Germany, France, New Zealand</td>
</tr>
<tr>
<td>Low export, high import:</td>
<td>Mauritius, Qatar, United Arab Emirates, China, Hong Kong China</td>
</tr>
<tr>
<td>Medium export, high import:</td>
<td>Malaysia, Singapore, India</td>
</tr>
<tr>
<td>Low export, medium import:</td>
<td>Greece, Israel, Oman, Poland, Thailand, Vietnam, Jamaica, Kenya, Pakistan, Sri Lanka, Syria</td>
</tr>
<tr>
<td>Low export, low import:</td>
<td>Saudi Arabia, South Korea, Chinese Taipei</td>
</tr>
<tr>
<td>Medium export, medium import:</td>
<td>Russia, Canada, Ireland, Japan, Philippines, South Africa</td>
</tr>
</tbody>
</table>

This is far from a precise classification but the following observations can be made:

- Of the 35 countries listed, 20 or 57% exhibit only import, or export, activity, or neither, on any scale; while the rest, 43%, exhibit both import and export activity.

- Four countries – Malaysia, Russia, India and Singapore – are characterised by both significant import and export activity.

- National positions may change. For example, Chinese Taipei, South Korea, Saudi Arabia and Japan, have recently moved to encourage imports, while others, such as Oman and Vietnam, are stepping up their import activities.

- Some countries have introduced stricter requirements for in-country providers. For example, South Africa has effectively outlawed imports through franchising, allowing only those foreign organisations willing to invest in a branch campus. Malaysia will only approve franchised program delivery if the foreign university is highly ranked in national league tables.

- Some active importer countries such as Malaysia, Singapore, United Arab Emirates and Mauritius are pursuing “regional hub” status, utilising both domestic and imported provision to attract students from the region.

It is likely that a range of factors will determine the way in which countries and their higher education institutions respond to the changing trade environment. The most important of which appear to be:

1. the quality of domestic education capacity;
2. the capacity of their domestic public institutions and whether they are able to meet optimum demand;
3. the extent to which the private provider sector is developed;
4. the costs of publicly provided higher education;
5. the domestic regulatory environment;
6. the domestic resources available for higher education to meet any gap in demand;
7. the “transferability” of locally generated education in terms of language and culture;
8. the capacity of the student population to access education through the consumption abroad mode.

**Emerging patterns in trade in higher education**

The remainder of this article will examine the interplay of the above factors in the current international education services trade, in order to gain an insight into emerging global patterns in trade in higher education.

If government funds to institutions continue to decline, institutions are forced to seek more private revenue from student tuition and other commercial activities. In such a scenario, a competitive market is likely to develop and institutions will need to build up expertise in alternative streams of revenue while reducing operating costs. Such developments will take on a renewed significance if the impetus for lower trade barriers through RTAs and GATS is carried through. Furthermore, institutions will be forced to cooperate with their potential competitors on a global scale in order to survive and prosper, forming alliances and joint ventures such as Universitas 21.

Those countries with a mature private provider market will have an advantage as institutions in those countries are already accustomed to operating under competitive pressures and a substantially deregulated domestic market, both of which drive efficiency. Countries such as Australia, the United States and the United Kingdom, will have a distinct advantage in this case. Countries such as France, Germany, Spain and the Nordic countries, on the other hand, will need to do some catching up, as their systems essentially maintained the public service model of higher education provision and therefore did not experience the same market-based reforms and cost cutting policies (Saner and Fasel, 2003; Campus Review, 2004). Hahn (2003) puts it in these terms:

“In-depth reforms of the system are necessary to enable German higher education institutions to become truly major global ‘higher education deliverers’. Such reforms would have to include greater autonomy. With the flexibility of higher education institutions comes an associated reduction of financial restrictions (for instance in regard to tuition fees and in regard to commercial activities) and a change in staff regulations; and perhaps even a change of the legal status of the institutions” (pp. 210-211).
One of the consequences of European governments’ resistance to the imposition of neo-liberal policies on public universities, including the lack of rigorous national quality standards, is that these universities were more likely to maintain a high degree of monopoly power, as they would have few competitors at their particular point of the quality spectrum. Indeed, the situation in the United States, United Kingdom and Australia would not, until recently, have been much different (Dill, 2003). According to analysis by Dill, national integration of the US higher education market resulted from lower prices for air travel and communication. This is due to deregulation, the advent of standardised admissions testing, increased information exchange between students, colleges and scholarship donors, and tuition reciprocity agreements among states' public college systems. There is evidence to suggest that this type of market integration is occurring on a global scale, as similar factors take effect, and the higher education market becomes increasingly globalised. In this context, competition becomes visible on a “vertical” scale in the form of dominant global actors, international quality standards, international benchmarking, the increasing significance of rankings, increasing academic mobility and brain drain/brain gain (Hahn, 2003). There is a danger that this emphasis on global market integration will reduce the traditionally collaborative spirit in institutional interactions (Tangas and Calderon, 2003).

A related point here is the role of accreditation requirements in trade liberalisation of education services. On the one hand accreditation standards are a powerful regulatory tools for governments to maintain, and to raise domestic education services standards generally, even in a well-developed education market. Australia, for example, in its MCEETYA Protocols has relatively rigorous accreditation standards for private providers of higher education (RMIT IRCU, 2003b). On the other hand, countries seeking easier entry to the Australian market may see these protocols as overly restrictive barriers and seek to have them weakened in negotiations of FTAs. Developing countries with low domestic capacity will, at times, seek to employ regulatory measures in resisting the domination of their education services by foreign providers, as in the case of Malaysia and South Africa.

A further disadvantage for non-English speaking countries such as Germany is that English is generally accepted as the lingua franca of the international education market. Germany, for example, under the auspices of the government sponsored German Academic Exchange Service (DAAD), has established universities in Egypt and Singapore which teach in English, as a part of its push for the entrepreneurial engagement of German institutions in East Asia and the Middle East.

The language issue is also particularly relevant to the consideration of increased cross-border supply or distance education. This is likely to increase
as institutions look to reduce their overhead costs and increase their market reach. However, questions of cultural sovereignty arise particularly in relation to the capacity of countries such as the United States (which is most advanced in education technologies and in the delivery of distance education), to impose their culture, language and values through standardised curricula that can be delivered flexibly and conveniently. On the other hand, it can be argued that technical advances in information and communication technologies are also likely to enable countries to service niche markets. For example, Spain would be able to provide cross-border services to the Spanish-speaking countries of the Americas. Furthermore, innovations in translation software are likely to make it increasingly possible for countries to receive standardised programs in their native language. Notwithstanding this, countries that are able to deliver teaching programs in English will retain a competitive advantage, particularly in relation to a commercial presence.

A related point here is that the US, as the dominant owner of copyright across the world, could use trade negotiation as a means to extract greater revenues from participating countries by imposing its more restrictive intellectual property regulations on the other party. There is some evidence of this in the recently signed AUSFTA, as Australian universities, major users of copyright, are faced with increased costs (AVCC, 2004). The United States could also exploit this dominance in the cross-border supply of its curriculum materials. However, as some observers have pointed out, the major competitive ground of distance education may be the quality of the relationship between the student and the institution, rather than the content (RMIT IRCU, 2003).

What choices are open to developing countries in a liberalising world in education services? Where a government does not perceive a capacity gap between its domestic provision, and that which is required to enhance the knowledge and skills of its population to nurture its culture and to meet the demands of a growing economy, and there is an absence of demand, import of higher education is unlikely to occur. Equally, where a government does not welcome imported education on the basis that it threatens its national culture, for example, it is likely to use regulatory or trade barrier measures to prevent entry (Garret and Verbik, 2003). Clearly theses are difficult choices and there is an internal tension between various pressures. A modernising government may choose to lower barriers to entry and rely on the transfer of knowledge and skills from foreign providers to build domestic capacity, while protecting the national cultural identity. These governments may prefer joint ventures, twinning arrangements, consumption abroad and cross-border supply in meeting education demand and restricting a commercial presence in other countries.
At various points this paper has made the observation that trade in higher education services is increasing at a fast rate. Further, this paper argues that there is an increasing blur between public and private provision as markets are integrated, and that many of the countries involved are both importers and exporters of education. There is also evidence of heightened global competition for students and institutions exploring various mechanisms for expanding their market reach and gaining competitive advantage. In addition some developed and developing countries are faced with a gap in domestic provision, which they need to make up in order to maintain their momentum towards modern economy status. In response to these pressures, several countries are attempting to position themselves as “regional hubs” of higher education provision (Garrett and Verbik, 2003; Young, 2003). This is a particularly interesting model because it combines more than one mode of supply of services. For example, Singapore's domestic provision consists of both local and foreign institutions delivering on a consumption abroad basis to students in the region who have international mobility. Singapore imports in order to export. The logic in the long term appears to be that as domestic institutions mature in their capacity, foreign partners can be forced out and these countries become net exporters of higher education.

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Notes

1. The Chinese-ASEAN FTA negotiations are proceeding so smoothly that it is likely that Beijing and ASEAN will conclude their FTA deal ahead of schedule. The Chinese-ASEAN FTA will become the world’s largest FTA, with 1.7 billion consumers totally and a combined gross domestic product (GDP) of USD 2 trillion. Two-way trade between China and ASEAN member countries reached USD 78.25 billion in 2003, an increase of 42.8% from the previous year, according to an official survey from the China General Statistics Department. China’s imports from ASEAN countries surged by 50% to USD 47 billion last year; while Beijing’s exports to ASEAN stood at nearly USD 31 billion, up by 31.1% from 2002, said the
news report (Global news wire – Asia Africa Intelligence Wire, 24/5/04, The Indian Express Online media ltd).

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The Internationalisation of Portuguese Higher Education: How are Higher Education Institutions Facing this New Challenge?

by
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Portuguese internationalisation policies essentially intend to promote an attitude favouring participation in internationalisation activities. However, as higher education institutions are autonomous, those policies aim at creating opportunities for development and management of these activities instead of imposing them.

In this article we attempt to analyse Portuguese HEI responses to internationalisation. After reviewing briefly the recent changes in national and EU policies aiming at promotion of higher education internationalisation, we present the results of six organisational case studies, conducted with the goal of obtaining an answer to the question: how are Portuguese higher education institutions facing the internationalisation challenge?

Based on the internationalisation profiles of the six institutions selected, we identify which factors foster and which factors impede the development of international activities at the organisational level in the Portuguese higher education system. Simultaneously we analyse the rationale explaining the different patterns of international activity between and within institutions.
Introduction

Over the last decades, the Portuguese government has made efforts to promote the internationalisation of the higher education system. On one hand, the government supported with grants the training of its post-graduate students in countries such as France, United Kingdom and Germany, and, on the other hand, it provided vacancies in higher education for special types of students (descendants of Portuguese emigrants and students coming from the Portuguese speaking African countries). However, after the integration of Portugal in the European Union, the European programmes became the most important tool for promoting both the Portuguese students’ mobility and the Europeanisation and internationalisation of Portuguese higher education institutions.

In this article we analyse the responses of Portuguese HEIs to internationalisation, in order to identify which factors foster and which factors impede the development of international activities at the organisational level in the Portuguese higher education system.

The empirical data was collected from a study of six Portuguese higher education institutions, as part of a research project funded by the European Union’s 5th Framework Programme for R&D – Improving Human Potential and the Socio-economic Knowledge Base Project No. SERD-2002-00074. The institutions were selected to ensure diversity of geographical location, legal status (public or private) and sub-system (university or polytechnic). In each organisation special attention was paid to disciplinary differentiation, as major differences in the nature of knowledge and disciplinary culture might lead to different internationalisation approaches. The data collected included relevant documentary information on the institutions’ internationalisation activities and transcriptions of interviews with key players.

Analytical framework

The analysis of the internationalisation process of Portuguese HEIs pays attention to the characterisation of institutional strategies, to the rationales explaining internationalisation and to the nature of the internationalisation process and its importance in higher education institutions.
We will use Knight’s (2004) six approaches to internationalisation developed at institutional level to characterise the internationalisation strategies of Portuguese HEIs (Table 1):

Table 1. Approaches to internationalisation

<table>
<thead>
<tr>
<th>Approach</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity</td>
<td>Study abroad, curriculum and academic programmes, institutional linkages and networks, development projects, and branch campuses.</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Student competencies, increased profile, more international agreements, and partners or projects.</td>
</tr>
<tr>
<td>Rationales</td>
<td>Use of primary motivations or rationales, such as academic standards, income generation, cultural diversity, and student and staff development.</td>
</tr>
<tr>
<td>Process</td>
<td>Integration of an international/intercultural dimension into teaching, learning, and service functions of the institution.</td>
</tr>
<tr>
<td>At home</td>
<td>Creation of a culture or climate on campus, which promotes and supports international/intercultural understanding and focuses on campus-based activities.</td>
</tr>
<tr>
<td>Abroad (cross-border)</td>
<td>Cross-border delivery of education to other countries through a variety of delivery modes (face to face, distance, e-learning) and through different administrative arrangements (franchises, twinning, branch campuses, etc.).</td>
</tr>
</tbody>
</table>

One assumes that it is possible to distinguish four different rationales that underlie national policies of internationalisation of higher education: the political, cultural, academic/educational and economic rationales (Knight and de Witt, 1995).

The position of Portuguese HEIs relative to internationalisation rationales is charted using the model developed by van der Wende (1997, p. 36). Each rationale has a minimum at the axes crossing point and the importance of any one of the rationales is independent from the other rationales (Figure 1).

Figure 1. Rationales for internationalisation of higher education
Internationalisation is a continuous process and to better understand the level of internationalisation of each organisation one uses the model introduced by Davies (1995). Davies uses a two dimensional representation to characterise the internationalisation strategies in HEIs: one dimension refers to the degree of importance of internationalisation within the institution – from marginal to central, and the second dimension refers to the organisational type of the internationalisation processes – from ad hoc to systematic. The combination of the two parameters results in four types of approaches represented by quadrants 1 to 4 (Figure 2) with the main characteristics mentioned in each quadrant (Wächter, 1999).

**Figure 2. Characterisation of internationalisation strategies in HEIs**

<table>
<thead>
<tr>
<th>Type of organisation of internationalisation processes</th>
<th>Ad hoc</th>
<th>Systematic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ad hoc/marginal</td>
<td>1</td>
<td>Systematic/marginal</td>
</tr>
<tr>
<td>Usually has few foreign students or academic staff. Academic co-operation is based on individual initiative and does not appear in the institutional mission statement. There are few specialised personnel for the management of international affairs and no incentives exist for engaging in co-operation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systematic/marginal</td>
<td>2</td>
<td>International activities have a small scale, but they are well organised and co-ordinated. Operations are targeted; they co-incide with institutional strengths and opportunities and are based on a conscious internationalisation strategy. The institution is involved in few international projects and exchanges, but they enjoy adequate funding and are managed by a small number of competent staff.</td>
</tr>
<tr>
<td>Ad hoc/central</td>
<td>3</td>
<td>Systematic/central</td>
</tr>
<tr>
<td>International activities are large in volume, but not very focused. While the institution may put an increased emphasis on some areas, internationalisation generally takes place across the whole range of disciplines and departments in the institution. Projects are often motivated by the aim to create revenue, but there is no coherent cost policy. A number of “dead” agreements and schemes exist. Support services and quality assurance are not fully on par with activities. Internal conflicts are quite frequent.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systematic/central</td>
<td>4</td>
<td>International activities are high in volume, but they also form a coherent whole, and they are based on one single, coherent strategy. Operating procedures and codes of practice are well formulated. Curriculum and personnel policies are frequently revised and support internationalisation. Well-trained staff carries out project and financial management in a professional manner. An incentive system exists within the institution. Quality assurance is well developed and few internal conflicts disturb the institution.</td>
</tr>
</tbody>
</table>

**The six organisational case studies**

The empirical data was collected from a sample of six Portuguese higher education institutions (identified as A, B, C, D, E and F), which were selected to ensure diversity of geographical location (north, south, littoral, interior), legal status (public or private) and sub-system (university or polytechnic). In each
organisation special attention was paid to disciplinary differentiation, as the differences in the nature of knowledge and disciplinary culture might lead to different internationalisation approaches. So, different types of schools were analysed: sciences, engineering and technologies, law, architecture, education and fine arts, including music, painting, cinema and design. The idea was to analyse whether the nature of the discipline influences the behaviour of the organisation and its members.

Table 2. Characterisation of case study institutions

<table>
<thead>
<tr>
<th>Geographical location</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of institution</td>
<td>Public, university</td>
<td>Public, university</td>
<td>Public, polytechnic</td>
<td>Public, polytechnic</td>
<td>Private, polytechnic</td>
<td>Private, university</td>
</tr>
<tr>
<td>Enrolments</td>
<td>27 000</td>
<td>13 500</td>
<td>10 000</td>
<td>5 700</td>
<td>1 000</td>
<td>3 000</td>
</tr>
<tr>
<td>Number of schools</td>
<td>15 schools</td>
<td>5 schools</td>
<td>5 schools</td>
<td>5 schools</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Number of degree study programmes</td>
<td>280</td>
<td>130</td>
<td>40</td>
<td>37</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>Percentage of incoming mobility students</td>
<td>1.5%</td>
<td>2%</td>
<td>1%</td>
<td>1.2%</td>
<td>0.1%</td>
<td>–</td>
</tr>
<tr>
<td>Percentage of outgoing mobility students</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
<td>0.5%</td>
<td>1%</td>
<td>–</td>
</tr>
<tr>
<td>Percentage of foreign students</td>
<td>3%</td>
<td>5.2%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

1. The mobility student is the one that spends a period of studies (normally three months to one year) in a HEI different from the one where he is enrolled to obtain a degree.
2. The foreign student is the one that is enrolled in a HEI of a foreign country where he intends to obtain the degree.

The research method was a combination of documentary analysis and semi-structured interviews (conducted in January and February 2004) with key actors of those HEIs (leaders, heads of departments, senior administrative staff, and individual academics and students’ representatives). The documentary analysis was based on data available at the organisational level on student and staff mobility, internationalisation of research, international and national support programmes for internationalisation. It also included institutional documents such as strategic plans and European policy statements, as well as national policy documents and data (and other secondary literature), which describe a number of important elements in the institutional environment of the HEIs.

The interviews with the actors of the organisations aimed at understanding their perceptions, not only of the institutional internationalisation processes (tertiary level) but also of the Europeanisation policies at the primary level (supranational or EU Commission) and at the secondary level (national). These perceptions are vital elements of the study.
Analysis of the case studies

Approaches to internationalisation

One can say that so far the main approach used by Portuguese HEIs has been activity, mainly centred in the exchange of students/academics and participation in networks and research programmes (at European level) and in the enrolment of a significant number of students from Portuguese speaking countries (the former Portuguese speaking African colonies – PALOPs: Angola, Cape Verde, Guinea-Bissau, Mozambique and Sao Tomé e Princípio, and East Timor, Macau and Brazil – the latter mainly at post-graduation level).

The Erasmus programme has played an important role in promoting student and academic staff mobility. After a first phase where student mobility was mainly the result of personalised networks of contacts developed by individual professors, the second phase of Erasmus, now integrated within Socrates, was based on institutional contacts leading to bilateral contracts between institutions. A compromise of the institutions to Europeanisation was made explicit through the institutional European Policy Statements. Within this context, most of the Portuguese higher education institutions have created under the direct supervision of their governance bodies, specific interface structures, such as international relations offices, responsible for those contacts with other European institutions.

However, in general most European programmes (ERASMUS, COMMETT, LEONARDO, TEMPUS, PHARE, ALPHA) had no influence over the curricular organisation of Portuguese higher education institutions. The fact that the Portuguese government has not yet passed legislation adapting the degree structure to the Bologna type Ba/Ma structure has probably contributed to this attitude. One believes that Portuguese HEIs are going through a slow process of building new representations and organisational forms which will facilitate a more open and flexible curricular structure under European influence. This trend will be accelerated once the Bologna type frame is enforced by legislation.

The other approaches mentioned by Knight (2004) are still in embryonic state in the Portuguese higher education system. More recently a process approach defined as the integration of an international dimension in organisation and programme strategies is emerging, in spite of constraints identified at political level.

Rationales for internationalisation

Rosa, Veiga and Amaral (2004, p. 140) consider that “in the Portuguese case, predominant rationales are basically the political, cultural and more recently the economic rationale”. However, the internationalisation of Portuguese HEIs is based on different rationales, which are conditioned by the nature of the countries involved in international exchange activities. On the one hand, there
are what one may call the countries of the “Lusophone” space, integrated by the PALOPs, Brazil, East Timor and Macau. On the other hand, there is the co-operation with the other regions with special emphasis in Europe.

In the case of public HEIs the relationship with the former Portuguese speaking colonies combines the political and the cultural rationales. The political idea of a “Lusophone space”, allowing the Portuguese speaking countries to use Portugal as a gateway to the European Union and the advantage of maintaining privileged relations with those countries has been clearly assumed by the Portuguese government. This same rationale is assumed by the Portuguese HEIs, which in some cases refer to those relationships in institutional documents such as the statutes or strategic plans. And there is even a private university named “Lusófona”.

The cultural rationale is rooted in the Portuguese language as one of the most spoken all over the world and in the co-operation with Portuguese speaking countries.

After some difficulties in relations between Portugal and its former colonies just after the independence of these countries, relations have progressively improved and Portugal and Portuguese higher education institutions have significantly increased their co-operation with these countries (Eurydice, 2000, p. 451).

The co-operation with countries where Portuguese is the official language (Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, Sao Tomé e Príncipe and East Timor), strongly contributes to the internationalisation of Portuguese higher education. Portugal is the first choice of most students from the former African colonies when they consider studying abroad. The opposite situation is valid within Europe, where Portuguese is one of the least widely taught and widespread languages, which is a serious hindrance for attracting students from Europe, namely in the scope of European mobility programmes.

In Portugal the profit argument is not valid for public HEIs, as institutions do not make a reasonable profit by teaching students from the former colonies. As the Portuguese law does not allow public HEIs to set fees for those undergraduate students different from fees paid by Portuguese students, there is not an economic incentive to attract them as an alternative for Portuguese students. In general, the Portuguese government negotiates with each public HEI a quota for PALOP students and includes their number in the funding formula, as if they were Portuguese students. The fact that all those countries are still developing countries does not give a visible role to the “academic rationale” which is focused on internationalisation as a means to enhance the quality of education and research. Consequently there is not yet a shift from the co-operation to the competition paradigm.
In the case of private HEIs the situation is quite different, as the presence of additional students will contribute to the budget of the institution. On the one hand private institutions are free to set the level of tuition fees and, on the other hand they are facing increasing difficulties to recruit Portuguese students. Therefore the economic rationale plays a role in the case of private institutions.

Using van der Wende’s model (1997, p. 36) – see Figure 1 – public HEIs are represented by full lines (Figure 3) and the arrow (from a to b) represents a very recent trend: as the number of Portuguese students candidates to higher education is decreasing due to demographic factors, a competition for students is developing. Consequently students from the PALOPs paid by the government will probably become a welcome contribute to increase dwindling enrolments. Therefore it is foreseeable that the importance of the economic rationale will increase for public institutions, which is a trend already observed in other countries. The economic rationale may involve:

“[…] generating income from international activities, but national-level economic arguments are also at stake. This is most clearly seen in strategies for the recruitment of foreign students” (van der Wende, 2001, p. 251).

Figure 3. **Rationales for internationalisation activities** with Portuguese speaking countries

<table>
<thead>
<tr>
<th>Public institutions</th>
<th>Private institutions</th>
</tr>
</thead>
</table>

In the case of internationalisation related to the other regions with emphasis in Europe the relative importance of the rationales is the same but trends change. The national political rationale for internationalisation is based on the perception that “it is not possible to vindicate the quality of the education system isolated from the international, and in particular the European, context” (Ministry of Education, 1999, p. 47). The cultural rationale is related to some immaterial values such as the “promotion of European
citizenship” and increasing the “awareness of shared values and belonging to a common social and cultural space” (Bologna Declaration, 1999).

Public HEIs share the view that internationalisation, namely that related to Europe, is mainly supported on the political and cultural rationales. However, they are increasingly looking at internationalisation as a means to enhance the quality of education and research, the latter becoming in the future the main driving force of the process and it is related to the academic rationale. For instance, HEI D has assumed improving the qualifications of its academic staff as a goal, by giving incentives to Ph.D. candidates. This led to reinforcement of the research side of an organisation that by nature was teaching-oriented. Through research, a great number of contacts and partnerships could be easily established with foreign colleagues working in the same field of expertise, which could contribute to a level of internationalisation similar to A and B, although there is a risk that some academics will move to more research-oriented institutions.

Private HEIs do not in general have a relevant research activity and their international relations are mainly based on the exchange of students aiming at promoting the image of the institutions by offering potential enrolment candidates an environment of internationalisation. One may see this aspect as being related to an economic rationale – using internationalisation to attract more national students, the only way to make the institution economically viable. However, private institutions are slowly using the relationships established through students’ exchanges to initiate some research co-operation, and this relates to the academic/educational rationale.

The position of both kinds of institutions relative to the rationales for internationalisation is represented in Figure 4, together with an arrow indicating the future trend of increasing importance of the academic rationale.

**The nature of the internationalisation process and its importance**

Finally, one uses the Davies (1995) two-dimensional diagram to represent the position of the Portuguese HEIs used as case studies relative to the nature and importance of their internationalisation processes (Figure 5). The relative position in the diagram of the institutions in each pair inside brackets has no particular meaning.

A number of factors are responsible for the position of the Portuguese HEIs relative to the nature and importance of internationalisation. According to the interviewed actors’ perceptions of the organisational settings either the degree of internationalisation of the Portuguese higher education market is low or that market does not exist at all. The factors responsible are both the lack of a coherent strategy for internationalisation of the higher education system (including an appropriate legal framework) and of financial support
Figure 4. **Rationales for internationalisation activities with non-Portuguese speaking countries**

<table>
<thead>
<tr>
<th>Rationale</th>
<th>Public institutions</th>
<th>Private institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political</td>
<td>(A, B)</td>
<td></td>
</tr>
<tr>
<td>Academic</td>
<td>(C, D)</td>
<td></td>
</tr>
<tr>
<td>Cultural</td>
<td>(E, F)</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private institutions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 5. **Nature and importance of internationalisation**

Type of organisation of internationalisation processes

<table>
<thead>
<tr>
<th>Importance of internationalisation in the organisation</th>
<th>Ad hoc</th>
<th>Systematic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (marginal)</td>
<td>Ad hoc/marginal</td>
<td>Systematic/marginal</td>
</tr>
<tr>
<td></td>
<td>(E, F)</td>
<td>(A, B)</td>
</tr>
<tr>
<td></td>
<td>(C, D)</td>
<td></td>
</tr>
<tr>
<td>High (central)</td>
<td>Ad hoc/central</td>
<td>Systematic/central</td>
</tr>
</tbody>
</table>
given to the internationalisation of research and education. In the case of C one respondent claimed: “internationalisation of higher education should be seen as a national goal. And we should be given the instruments to develop a policy and to implement a strategy” (interview with the President).

The degree of internationalisation of Portuguese higher education institutions is influenced by a number of factors that are impeding the internationalisation of HEIs (in no particular order of importance): internationalisation is not seen as a development key factor by the organisations themselves; lack of central co-ordination of research activities (in A and B) as its decentralisation hinders the possibility to further internationalise research as an organisational component; lack of incentives in the academic career; sustaining student mobility demands a coherent strategy and an attractive offer to foreign students (e.g. availability of housing for mobility and foreign students, English as teaching language); lack of proficiency in English of both academic staff and students.

E and F, and to some extent also C and D are in quadrant 1, while A and B are in quadrant 2. E and F are starting their internationalisation activities (quadrant 1) while C and D will move most probably to quadrant 2 if they receive the necessary inputs – both in terms of national policies and of internal organisation – to reach this internationalisation goal.

At present one may conclude that so far the development of an ad hoc approach based on “reactive responses to many new opportunities that are being presented for international delivery, mobility, and co-operation in postsecondary education” (Knight, 2004, p. 19) describes the dominant features of the Portuguese higher education system.

The factors impeding the movement to quadrant 4 are both internal and national. At internal level the factors fostering the internationalisation should be reinforced: promotion of international research co-operation; commitment of participants (academic and non-academic staff and also the students); implementation of good organisational structures providing administrative and technical support; establishment of new governance structures.

The change in administrative and governance structures is probably the most important internal factor for promoting the implementation of a more systematic process approach towards internationalisation. The appointment of vice-presidents or vice-rectors for international relations and the establishment of specific committees and/or task-forces for mobility programmes in A and B are good trends to be followed by other institutions.

Those were precisely the main factors allowing A and B to move from an ad hoc approach to a more systematic approach, which will contribute to a further movement towards quadrant 4. The appointment of people in top level central management to explicitly co-ordinate internationalisation has made it
more visible. This will facilitate the establishment of an internationalisation strategy based on the argument that internationalisation is a development key factor for the institution, which will in due time promote a higher degree of institutional internationalisation.

Anyhow, this movement towards a situation where internationalisation is both a systematic and central institutional activity will only be possible if at national level the factors impeding the internationalisation of the Portuguese higher education are removed. These factors have simultaneously a policy and a strategic component and will be analysed in the next section.

**Funding and governance mechanisms and internationalisation**

The Portuguese government does not have a clear strategy for the internationalisation of its higher education system. There is an established relationship with the former Portuguese speaking colonies, which uses a mix of the cultural rationale (the Portuguese language as one of the most spoken all over the world) with the politic rationale (the “Lusophone” space – there are recent attempts at creating a Bologna-type process for Portuguese speaking countries).

Within the EU framework the Portuguese government assumes an attitude in relation to higher education that is more reactive than pro-active, as the main lever for internationalisation of higher education are the EU funded programmes. Although a strong supporter of the European Union, and sometimes being capable of taking initiatives in relevant social and economic areas, the Portuguese government is very slow in integrating European policies into national policies. For instance, the “Lisbon strategy” – a commitment to bring about economic, social and environmental renewal in the European Union, which was set out by the European Council in Lisbon, in March 2000, has not yet found its way into a national strategy.

Internationalisation of research and education is under the responsibility of the International Office for Science and Higher Education (GRICES) that integrated two separate structures dedicated to research and education. GRICES is aiming at favouring participation of HEIs in international activities. And research and the promotion of mobility is becoming the area with a more clearly national strategy.

According to the director of GRICES, the Portuguese position on the new GATS proposals is very much against the idea of considering higher education as a tradable commodity. Furthermore recent legislation contains provisions against franchising education activities and the recognition system of foreign doctoral degrees based on the Lisbon Declaration explicitly excludes degrees conferred under franchising activities.
This rather cautious approach from the government is extensive to the provision of education by Portuguese HEIs in foreign countries. Instead of promoting those services as a source of income for Portuguese HEIs the government in principle does not allow them to promote education activities abroad leading to a degree recognised as a Portuguese degree. Some Portuguese private institutions have activity in the former Portuguese colonies but they do this by creating a local institution operating under the local national law and conferring degrees under the local law instead of Portuguese degrees. Therefore, one may conclude that despite some neo-liberal rhetoric the government does not encourage internationalisation aiming at “generating income from international activities” (van der Wende, 2001, p. 251) nor does it promote market-like competition activities abroad.

The gap between EU policies and their translation into national legislation has been quite visible in the implementation of the Bologna process. In May 2004 the Parliament passed an Education Act defining the new degree structure compatible with the two-tier Bologna structure with a first cycle of studies of three or four years, and a second cycle (Master) of one or two years. However, at the time this paper was written, the government had not yet passed legislation to introduce an ECTS compatible credit system and the compulsory use of the Diploma Supplement.

On the one hand faced with governmental immobility, and on the other hand well aware of international trends such as those resulting from the Bologna process, the Portuguese HEIs decided to move forward to follow those trends. However they were confronted with mixed success linked to their relative level of autonomy.

While public universities, having full pedagogic autonomy granted by the 1988 University Autonomy Act, were free to change their study programmes using the ECTS system and are implementing the Diploma Supplement (e.g. Universidade do Minho), the other HEIs (polytechnics and private HEIs) had to submit their proposals to Ministerial approval. And when they made proposals using the ECTS system they were rejected on the grounds of lack of appropriate legislation, which caused a lot of frustration.

Lack of appropriate funding for international activities plays a negative effect on institutional internationalisation. This problem was frequently mentioned in the interviews:

“[…] the difficulty to allocate funds for internationalisation activities, as there are other priorities vital for the development (or even the survival) of the organisations” (B).

“I don’t know what will happen when everything is internationalised, who is going to pay for that?” (B).
“In some cases we need extra funds to send a student abroad, which are not available” (C).

“[…] the mobility activities that could take place internally by moving professors from one school to another are seen much more as a cost than an opportunity thus impeding the mobility of academics within the institution” (D).

“Obviously funding is essential in order to develop international activities” (D).

This recurrent reference to financial difficulties explains why most internationalisation activities at European level result from EU funded programmes, thus leading to a reactive attitude of the institutions towards internationalisation.

Conclusions

Portuguese HEIs are trying to cope with internationalisation and changes can be observed both on a quantitative and a qualitative basis. It seems clear that there is a trend to increase the number of mobility students, international programmes and research partnerships. Simultaneously some qualitative steps are visible in the adoption of new governance structures that would be more adequate to face the internationalisation challenge.

The six Portuguese case study HEIs are aware of the importance of internationalisation, and despite some obvious difficulties they are taking seriously their role in the future European Area of Higher Education. The lack of appropriate national legislation and the frequent changes of Ministers have created a state of flux and confusion that effectively hinders the internationalisation of the Portuguese higher education system. Despite this difficult environment some HEIs have tried to implement, at least partially, some components of the Bologna process but their relative success has been heavily dependent on their degree of autonomy.

Financial difficulties and lack of effective financial incentives from the government were frequently referred by interviewees as one of the major factors hindering the reinforcement of internationalisation activities. Indeed, the only effective lever for internationalisation that Portuguese HEIs can use are the EU programmes, which explains why the attitude of the HEIs is far more reactive than pro-active to internationalisation challenges.

One can also observe that the Portuguese government does not seem to be favourable to the development of education activities by Portuguese institutions abroad despite some market friendly rhetoric: there are legal barriers preventing Portuguese HEIs from offering Portuguese degrees abroad. This may be explained by lack of trust in some private HEIs combined with the recognition of the difficulty in controlling the quality of educational provision in a foreign country.
However, the attitude of the different schools towards internationalisation challenges is not homogeneous, and it varies according to the traditions and academic cultures of the different disciplines. Engineering, Fine Arts and Architecture are the most internationalised schools, the less internationalised being Education and above all Law.

Last there is an ambivalent attitude towards the use of foreign languages. In general the use of Portuguese as teaching language is preferred, either because of cultural reasons or because of more down-to-earth reasons – many professors are not able to teach in English and many students are unable to understand classes taught in English. But one has also to recognise that students coming from the former Portuguese speaking colonies are in general not proficient in foreign languages – and a substantial percentage of the students is not very proficient in Portuguese either. However, there is no national policy to promote the Portuguese language among mobility and foreign students.

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Policies and Networks in the Construction of the European Higher Education Area

by

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Marrianna Gidarakou, Université René-Descartes, France

Within the European Union, issues of comparability and compatibility regarding higher education policy are defined by new challenges, while interest politics increasingly affect the actions and the discursive practices that constitute both the new European Higher Education Policy Area and its relation to other crucial public policies (economic, social and labour policies). This article attempts a policy-impact analysis focusing on a) issues of interest politics, key-actors, interaction among supranational policy agendas and policy networks, b) issues of decentralisation, internationalisation and deregulation in higher education policy, with particular reference to the Bologna Follow-Up process, and c) educational reform processes organised as policy reform rituals. The main hypothesis of the study is that HEIs are perceived as key partners/providers and this perception transforms the role of the HEIs within the context of strategic partnership interests (at national, regional and institutional levels).
Introduction

The Bologna Process was conceived as a response of European Union member states to the challenges of knowledge society and is considered an indication of the internationalisation of Educational Policy. The fact that the agenda underpinning the Bologna Process does not preclude other purposes outside the economic – notions of inclusion, citizenship and civil society coexist with the demand for a more flexible and adaptable workforce – challenges researchers to focus on the relation between the new European higher education policy and other public policies.

This article deals mainly with the Bologna Follow-Up Process, raising issues such as: how do the principles of comparability and compatibility affect national higher education policy in Europe? Are there any explicit influences of the OECD/IMHE (Institutional Management in Higher Education) programme on the Bologna Process? Which are the main policy initiatives, in the context of the ongoing procedure towards the European Higher Education Area, in order to promote a pragmatist contribution of HEIs to the construction of a competitive knowledge-based economy? How does the variable relation between the state and the market affect this potential “contribution”?

We should note from the outset that any attempt to analyse the formation of a European Higher Education Area cannot overlook the effects of new forms of globalisation. Various definitions have attempted to demonstrate its significance and its differential impact on the political and social power structures (see Papadakis et al., 2004). Globalisation is based upon radical changes of space and time brought about by the technological revolution, the subsequent new techno-culture and the internationalisation of the economy. Globalisation as a process focuses our interest on the new role of the state and its impact on education and educational policy (Habermas, 1998). Most of the changes that have taken place in the field of education during the last 20 years were part of broader transformations. The above-mentioned changes have been attributed or summarised as the shift from the state to the market, activating a popular generalising explanatory framework. This framework is usually legitimised by the fact that the inherited structures of the nation-state get deregulated.

In this explanatory schema, the market is considered as operating as a quasi regulating circle. Subsequently it is fictionalised and considered, either as a mechanism of allocation of resources ex definitio, or as a process of policy
elaboration. Such a generalising version encourages the emergence of tautologies (the market “colonises” the citizens’ bio-cosmos), the metastasis of specific dogmatisms, which in turn subvert the analytical emphasis on the complexity of the relation between the market and the state (Gravaris, 2002). An attempted replacement of analytical approaches with a generalising ideological argument is evident in the relevant literature. The aforementioned transition implied, in turn, the elimination of educational policy as a social policy field. A more profound study on the nature of the transformation process could demythologise it, revealing that this transition is, in fact, a succession of two particular forms of state intervention: a transition from a specific form of state intervention to another, not from the “state” to the “market”.

**Higher education policy in the public policy complex**

Regarding education, the major forms of state retreat and transformation concern the institutional domain and the legitimate function of education. Changes concern the “equality of educational opportunities”. The econocratic view of policy making in education restricts the participation of social partners in education policy formation and limits the redistributing perspective of educational systems (Gravaris, 2002). These changes reflect the policy rationality within the policy complex, while the macroeconomic intervention – transition from “Keynesianism” to “monetarism” – and the articulation of educational policy to labour market policy facilitate the macroeconomic over-determination of the state policy in education.¹ This is legitimised by the post-modern domination of reflexivity in relation to the commodification of signs and symbols, emerging from the economic sector and concerning space, time, memory and place (Beck et al., 1994). The floor now belongs to flexibility – namely the ratio communis utilitatis of the post-industrial public policies (Papadakis, 1998) – which in the case of education is reinforced by the life-long and life-wide perspectives. Life-long education is considered “as the only viable answer in the permanently evolving needs of education and training” (European Commission, 1995). A consensus seems to emerge that:

> “… economies and societies are increasingly knowledge-based [while] education and skills are indispensable to achieving economic success, civic responsibility and social cohesion …” (G8, 1999).

The life-long perspective in education can provide economies and societies with the necessary flexibility. In fact, flexibility, as a new value either embedded in or (re)claimed by the employment, social and educational policies, seems to be accompanied by a constant perseverance in the notion of competitiveness (Krugman, 1994). Both appear to re-determine the limits of the general moral/political bond and the role of the individual interrelations of profit in
the collective social engagements about prosperity (Sen, 1987), while at the same time strengthening “pure” market relations against the “morally directed individual economic actions” (Gravaris, 1999), encouraging the emergence of “digressive” types of moral action, such as epicurism, and re-contextualising the active pair “agency – well being”. Within this functional context, a shift in a new form of “activity” in educational policies is taking place. Educational policy is said to be in need of re-orientation, in terms of its relation to macro-economic aims and to the existing market needs. Educational policy is gradually transformed in an active employment policy.

Are the new notions and priorities, embedded in educational and employment policies and encouraged by the supranational actors, capable of providing the state with the ability to cope with these structural problems? How feasible it is for the state as a political formation to correspond to the new values that arise from new realities (requirements of flexibility, efficiency, and competitiveness)? Could the state cope with the “skills-problem”? And what about the role of higher education in this context?

**The politics of the Bologna Follow-Up process**

It can be said that the state’s role is reshaped, moving in the direction of a regulatory concept of state authority (Gravaris, 2002). This reshaped state authority means that for political action to be efficient it has to move beyond the state into supranational decision-making levels.

The European example is probably the most distinctive: policy making in a number of areas gradually shifts to the European level. The fact that political power moves away from the state towards the vague political structure of today’s European Union results in the “hollowing out of the state”, leading to issues of legitimacy. A “democratic deficit” is evident when considering not only European citizens’ awareness of the European Union system, but also views concerning the representation of citizens’ interests in European policy outputs (Lavdas, 1997).

One answer can be increasing the institutional emphasis on the region. Hence the new political structure of the European Union appears as a dynamic interaction between the supranational, national and regional level. This development reveals the ongoing relation between the European Union, as a level of policy making, and the region, as the domain of the “policy transfer” and subsequently as a level capable of translating the policy into action according to the demands of the increasingly internationalised environment.

A major project of forming a common policy agenda concerning higher education is in progress; this is the essence of both the European Higher Education Area and the Bologna Follow-Up Process. The European Higher Education Area is a configuration of common structures of the European...
higher educational systems aiming at their comparability and compatibility. This project attempts to deal with multiple tasks that involve, first, the diversity of the European educational and, more broadly, political systems and, second, the division of competencies between national and European authorities for higher education.

Awareness of higher education as a public good and a public responsibility (Kladis, 2003) along with the trend of transferring this national authority public good towards a more supranational level brings about the new frame of structures, which outline the importance of the Bologna Follow-Up Process.

The Bologna Process started officially in 1999, when the 29 European Ministers of Education signed the Bologna Declaration, accepting the terms and objectives of the European Higher Education Area and setting the timetable for its completion by the year 2010. The Bologna Declaration marked the enhanced role that higher education is called to play in achieving a competitive European economy. It emphasised the need to create a European Higher Education Area as the prime mover of European citizens' mobility and productivity in an increasingly multicultural area. In 1998, the Sorbonne Declaration had suggested the importance of education and educational cooperation for the development and reinforcement of peaceful, democratic, multicultural societies and pointed out the key role of the university in the knowledge society.

A number of European countries accepted the challenge of the Bologna Declaration by signing it and expressing their consensus to its principles. Likewise, the European higher education institutions accepted the challenge by contributing in the formation of the main principles of the Bologna Magna Charta Universitatum in 1988. These principles, as well as the Bologna Process, are aligned with the European Council conclusions in Lisbon (2000) and Barcelona (2002), which set the European objectives to be the creation of:

“... the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion ...”,

on the basis of a flexible approach to labour participation (Commission of the European Communities, 2002). The report by the Bologna Follow-Up Group, entitled Furthering the Bologna Process, underlined the acceptance of the Declaration of Bologna and proposed the acceleration of the process. In 2001, 32 European Ministers of Education attended a conference in Prague, where they expressed their commitment to the objectives of creating the European Higher Education Area. At the same time, the Prague conference acknowledged the life-long character of education and underlined the social character of education as a public good. In September 2003, a third decisive
Ministerial meeting was held in Berlin. It aimed to define priorities, reinforce the procedure for the formation of the European Higher Education Area and establish a quality network concerning higher education services (Conference of Ministers, 2003).

The European Higher Education Area is a heavily promoted policy (Papadakis et al., 2004). Although European countries are not formally compelled to accept its principles and participate in its formation, they cannot ignore the numbers of countries participating in the project. Five years after the initiation of the Bologna Process, 40 European countries are already involved in it, while Ukraine is expected to join (Kladis, 2004). Increased participation underlines the significance of the agenda, which includes issues that change and restructure policy making while taking into consideration the divergence of the participants’ higher education systems.

Comparability and compatibility between systems (as well as their co-operation in achieving objectives) is the framework that could make the European Higher Education Area feasible. Policy issues shaping the common framework for European Higher Education, according to the Berlin Communiqué, include:

- Defining studies in two cycles/periods: bachelor and master's degree.
- Creation of joint master degrees.
- Creation of joint indicators that will reflect the learning outcomes and the qualification profiles of the students (quality assurance) (Conference of Ministers, 2003).

There is consensus on the focal point of the construction of the European Higher Education Area being quality assurance. This criterion works as a filter of regulation through which all issues are to be discussed before the creation of the European Higher Education Area and the conclusion of the Bologna Process. Its significance is demonstrated by its central position in the agenda of the ministerial conference, which was held in 2005 in Bergen (Papadakis et al., 2004). Particularly noteworthy is the role ascribed to higher education. Higher education can enhance human capital and critically support Europe’s competitiveness. The issue of quality is the key for realising the desired outcomes.

The project of creating the European Higher Education Area shapes a new reality at the European level that proceeds in parallel with empowerment in the regional level. Furthermore, the objective of an enhanced role for the higher education institutions underlines the significance of university teaching and research. Along with the reformed structures and the political trend that enhances the role of regional and local authorities – that is, the units that can promote economic development and sustainability – a third task for higher education institutions can be recognised. This task is the
reinforcement of the economic, social and cultural development of regions and cities, in the context of the connection of higher education with “society at large”. A new form of partnership seems to acquire the status of a conditio sine qua non for the achievement of the above-mentioned goals.

Before such a synthesis can be achieved it is vital that current practices can be evaluated in a way that is sensitive to varying national and regional contexts within which higher education institutions are situated. Such evaluation must seek to contribute to international learning experiences for higher education institutions and their regional stakeholders, aiming at the exchange of information. This procedure is based on the OECD’s approach to benchmarking and aims at the dissemination of “best practices”. This learning process contextualises the strategy proposed by the new OECD/IHME project, which began in March 2004.

This project (Supporting the contribution of HEIs to regional development) is carried out by groups of experts from each participating region, sets various questions to be answered on the exact nature of the actual interaction between higher education institutions and the regional stakeholders and on the outcomes of the promoted relation to the objective of efficiency and effectiveness but foremost to the objective of contribution to the regional social and economic development (OECD, 2003; OECD, 2004b).

**Tentative conclusions on policies and reform rituals**

The structure of the internationalised complex reality and the new priorities of public policies all over the European Union are reflected not only in the principles embraced by the higher education policy agenda, but furthermore in the relation between different policies, promoted by organisations and interest groups. Just as in almost any educational reform, a ritual is organised (Popkewitz, 1982). The rhetoric is constituted by discursive practices that focus on both the developmental and the modernising role of the university. These discursive practices are activated – by supranational organisations, academics and interest groups – in order to legitimise the new paradigm of higher education and the new forms of partnership promoted worldwide.

On the other hand, a power game is taking place in both political and academic arenas. Specific challengers attempt to promote their issues and priorities, through ideologically “neutralised” discourses. Several institutions, organisations, policy coalitions and interest groups (the European Union, the Council of Europe, EUA, ESIB, university rectors committees, state and regional Representatives, etc.) seem to input the regional issue to the political, social and educational agenda, as an inevitable priority.
Despite the fact that these challengers seem to be facilitated by the open structure of the European Union political system, the politics of higher education are more contentious than conventional. What seems to construct a consensus is, in fact, a synthesis of different competitive, contradictory approaches to higher education’s role in sustainability and development, which spread through processes and mechanisms in three levels: the supranational, the national and the regional.

In conclusion, the initial reactivity to the perspective of a broad reform towards the establishment of a rather homogeneous competitive EHEA seems to be transformed in a synthesis of claiming pro-active forms of actions. In any case, a consensus on the need of a direct reform has been shaped inside several universities (e.g. the ones constituting the Tuning project), between universities, regions and the state and between the European Union’s central institutions. This consensus is reinforced by the actual reciprocity between specific supranational and state mechanisms and power groups acting internas (university) muros.

Does this network constitute a policy community? Only to a limited extent, as it remains more open – resembling, rather, an issue network. Groups and resources are structurally mobilised and interact with the present political opportunity structure in the context of the new higher educational space. The vast majority tend to accept the need of a schematic unification and a functional expansion of the higher education services in order to adapt to new realities. This tendency is symbolically represented by the new discursive emphasis on the need for “more flexibility and quality assurance”. This is the actual basis of the above-mentioned consensus. And its last frontier.

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Notes

1. Concerning the transition from “keynesianism” to “monetarism”, see Lipietz (1990); Hirst and Thompson (1996); Commission of the European Communities (1989), Analysis of the European Communities; Gravaris and Papadakis (2002).


5. The word “challengers” is used in the Tillian terminology; see Giugni and Berclaz (2002).

6. There is an increasing tendency to consider interest groups as the components of broader policy communities; Ball and Guy Peters (2000).

7. Resource Mobilization Theory is basically referred to the social movements analysis, but is also extended in interest groups’ actions; Ferree (1992).

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