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The Unified National System of Higher Education -
Action in Haste and Repentance at Leisure?

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The 1988 policy changes which instituted the unified national system (UNS) of higher education were momentous for the institutions themselves and for the whole community. Proposals for the changes appeared 'out of the blue' and were authorised barely one year later. After 30 years in which governments' relations with institutions were 'buffered' by intermediary statutory commissions, the Commonwealth dispensed with its Tertiary Education Commission and established direct contacts with individual institutions. In doing so, it found novel ways around long-standing constitutional difficulties in dealing with State universities. It also induced major changes in the number, size and structure of institutions and of their teaching, research and administrative behaviour.

The research issues arising from the policy changes and their implementation are manifold and complex. Their documentation and investigation is important, not only because of their intrinsic research interest, but also because they provide useful lessons about the emergence, authorization and implementation of major restructuring policies introduced into well established operating relationships.

One challenge in researching the UNS is to isolate its policies and effects from those of other concurrent developments. An alternative challenge is to conceive the UNS as being one manifestation of more general financial, economic and political developments of the 1980s. The research problem would then be to separate the 'continuity' of policy events from the discontinuous elements resulting from the unique contributions of the relevant policy makers.

This paper addresses but a few of these intriguing matters. Its focus is on the economic and political processes of policy making and on the use of finance as a policy instrument. Research issues will be roughly organized around questions arising from the stages of the policy process: issue emergence, policy authorization, implementation and evaluation. The first concerns the factors and personalities which lead to the writing of the Green and White Papers (Dawkins, 1987, 1988). The second investigates the rather surprising fact that the many organisational and administrative changes of the UNS were authorised by financial legislation introduced during the Budget Session of Commonwealth Parliament. The third looks at how finance has been used as the basic means by which the changes intended by the authorised policy have been put in place, and the difficulties and limitations associated with the use of this instrument. Lastly, questions are asked about the effect of changes on essential university purposes.

Issue Emergence

As events leading to the recent changes to gun laws in New South Wales testify, new government policies typically originate from expressions of public dissatisfaction with a particular social arrangement. The dissatisfaction becomes focused as a political issue and politicians come

to recognise that it is in their own interest to be seen to be actively pursuing a solution. In the process various interest groups make claims and accusations which often force Government to research the issues itself or to appoint an independent inquiry to test the veracity of interest group claims and to recommend policy changes.

Apart from some statements by the Business Council, there were no such precursors to the emergence of changes to higher education policy. Indeed, an AVCC commissioned ANOP survey of community attitudes in May, 1989 found that "Australian universities currently have a very favourable image among the general community - they have prestige and are respected". The most recent report on the sector, the Hudson Committee's report, *Efficiency and Effectiveness in Higher Education* (1986) had identified no shortcomings which additional Commonwealth funding could not correct. While there were tensions in the binary system the committee considered that the system had "served Australia well" (Hudson, 1986, Sect.6.20) and that "major changes in the current structure of higher education are not necessary" (Hudson, 1986, Sect.6.19). The extent and the radical nature of the policy changes proposed in the Green Paper (Dawkins, 1987) therefore came as a shock to many, including senior higher education administrators. Yet neither the media nor any major community interest group supported the protests against the changes which were made by the higher education sector and its associated unions.

Among the many questions for political and social research which these events pose, is: If the policy proposals of the Green Paper were the solution, what was the problem? Wirt (1991) suggests that a fundamental source of recent political attempts to reform school systems in a number of countries has been community dissatisfaction with the poor performance of schools in the eyes of parents and taxpayers. He argues that this dissatisfaction has led to greater political concern with the outputs which were supposed to be generated from the public inputs by taxpayers.

There is evidence of this at the Commonwealth level, and it is plausible that there was concern not only with the performance of schools but also of higher education institutions. For example, in the light of high youth unemployment in 1984, the Prime Minister, R.J. Hawke expressed his government's concern that the education system was not providing the quality of education necessary to meet the demands of modern-day technology and increasingly skilled jobs. He went on to say (*The Australian*, 4.9.'84, 3):

The Government had invested considerable funds and resources in developing an effective education system, and there was now a need to ensure that Australia received 'an adequate return' on that investment.

There was a growing realization that future international competitiveness and the long-term prosperity of the country's economy depended on increasing the sophistication of its technology. The 1986 report of the PM-chaired EPAC, which was entitled, *Human Capital and Australia's Long Term Growth*, underlined the relation between education, technological skills, and the country's economic growth and prosperity. Higher education was seen as central to strengthening the technological basis for a more sophisticated productive society.

Concern within the Commonwealth Cabinet about Australia's future grew as

the country's international economic performance continued to decline in the mid-1980s. It was expressed most vividly by the statement of the then Treasurer, Paul Keating, that "Australia risked becoming a 'banana republic' if dramatic changes in economic policy and industrial attitude were not made" (The Bulletin, 27.5.'86, 28).

The opening paragraphs of the Green Paper emphasise the challenges which the competitive international environment poses for Australia, and the role of the country's higher education system in meeting these challenges. In a keynote address to a 1989 OECD conference on Education and the Economy in a Changing Society, Mr Dawkins (1989, 12) stated,

In higher education, we need to strike a new balance between the traditional objectives of a liberal education and the external requirements of the economy and the labour market.

By this he clearly meant less emphasis on the former objectives and more on the latter!

The argument is, then, that the issue of higher education 'reform' emerged primarily within the confines of government: it was not in response to outspoken community criticism of higher education institutions, nor did it derive from research and recommendations from any expert committee. It appears to have resulted from the Cabinet's assessment of the gap between the sector's contemporary performance and that which was required to help Australia survive and prosper in a more competitive international economic environment. This implies that the Government also wanted more direct involvement in determining the nature and level of that future performance. One of the interesting research aspects of the raft of policies, therefore, was the means by which the Minister sought to influence the efficiency, effectiveness and composition of higher education activities while respecting traditional university autonomy.

Policy Authorization

The sweeping policy changes instigated by the UNS included:

- the binary system replaced with a 'unified' higher education system
- amalgamations into fewer, larger, multi-campus institutions
- introduction of a more corporate managerial structure to institutional administrations
- the tight nexus between teaching and research loosened
- a more competitive, targeted system of assistance for research established
- encouragement of closer links between universities and industry
- encouragement of a more market orientation to teaching and research
- greater student contributions to tuition costs, to 'help fund further growth' in the system

Each of these changes generates its own research agenda - its justification, its design, its implementation and its consequences. As a member of the Armidale campus of the University of New England, I have some strong things to say about the justification, design and implementation of the policy on amalgamations and the consequences of amalgamating of distant, unlike campuses; but now is not the time to express them!

There are two related policy research matters worth addressing, since they underly all the specific changes. These refer to finance and to federal-state relations. It comes as something of a surprise to recall that the

legislative basis for these specific, radical changes to the governance and organization of higher education in Australia was in fact a money bill, The Higher Education Funding Bill, introduced in the 1988/9 Budget Session of Commonwealth Parliament. The reason for the surprise is that finance is a "soft" policy tool which allows the recipient choice in the magnitude and nature of response. If universities have traditionally placed great store on their own autonomy and independence, why have their chief administrators and councils not exercised more choice in responding to the more intrusive Commonwealth Government demands regarding the governance and operation of their institutions?

This is related to the second question on the Commonwealth's relations with State universities. Despite the truth of Don Anderson's observation (in Harman and Smart, 1980, 121) that "the Federal Government is not intervening in higher education, it runs the system, lock, stock and barrel, and the States do not mind" the Commonwealth has always had difficulties ensuring accountability for what has been achieved with the use of their grants by institutions. They have have been able to insist on financial, but not educational accountability. The reason for this stems from the wording of Section 96 of the Constitution which states that the Commonwealth,

. . . may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit.

The problem has been that while Section 96 gives the power to make grants, it does not require recipient States to demonstrate that specific purposes have been achieved by the activities funded (Harrold, 1991). The conditions have therefore been related only to the way the funds are spent, not to the educational outcomes resulting.

In establishing the UNS, the Minister found a uniquely clever way of solving these problems of choice and accountability, plus a few others as well. Specifically, he found a means of using a financial means of

- obtaining the voluntary compliance of the key administrators of 'autonomous' institutions
- avoiding the educational accountability limitations on grants to State universities
- focusing on educational outcomes, regardless of how those outcomes are achieved
- staying aloof from messy involvement with the implementation of policy changes (such as trying to influence which institutions were to amalgamate)
- avoiding the need to control the processes of institutional spending

The way was deceptively simple. On September 8, 1988 Mr Dawkins wrote to the chief executive officers of all public higher education institutions in Australia, to announce that he was inviting them to apply to join an exclusive Commonwealth 'club', the members of which were to receive large financial benefits. To qualify to join, however, they had to sign on their institutions' behalf, a legal contract accepting responsibility for meeting certain conditions. Failure to meet these conditions would jeopardise membership and the associated financial benefits.

It is worth quoting from this letter, both because of its importance as a

fine example of a financial instrument, and to note its clever, friendly, almost conversational style:

I write to extend an invitation to your institution to join the unified national system. . . . This system will consist of a range of higher education institutions funded by the Commonwealth to fulfil an agreed educational profile To be part of the system institutions must have a minimum sustainable load of at least 2,000 EFTSU. . . . I would appreciate an indication of whatever plans you may have to merge When joining the unified national system I would also appreciate your commitment to a number of the objectives which were presented in the Government's Policy Statement on Higher Education. Specifically I refer to the following:

- internal management review;
- implementation of the principles of credit transfer;
- implementation of a research management plan;
- implementation of a staff management plan
- a common academic year; and
- determination of equity goals as an integral part of the institution's planning, management and review. . . .

It is up to the institution to choose the form by which it pursues these objectives. The Government has no intention of determining how an institution should give effect to these matters, and would only become involved where the measures adopted by the institution were clearly inconsistent with the objectives.

. . . . Those institutions forming the unified national system will benefit from continued growth, increased flexibility and greater control over their resources. Funding will be guaranteed for a three year period based on agreed educational profiles and on the performance of institutions in relation to those profiles.

. . . . I look forward to the continued goodwill from institutions in the implementation of the Government reforms I would welcome the participation of your institution in the unified national system and thereby in the future development of higher education in Australia.

Significantly, this letter preceded the tabling of The Higher Education Funding Bill by two months -- enough time for replies to be received from the chief executive officers. The only features common to both the Dawkins letter and the Bill were references to educational profiles and equity goals. There was no need to legislate for such matters as amalgamations, credit transfers and so forth. All that was needed was Clause 4, Chapter 1 of the Bill, which listed the institutions - the 'club members' - among which the appropriated funds were to be distributed. Significantly this clause also contained provision for the Minister to amend the list 'by declaration'.

The point is, then, that key elements of the UNS have never been authorised by legislation. They are embodied in contractual arrangements between the Minister and CEOs of member institutions. By this means the Government can require institutions to ensure their own progress toward UNS objectives, without having to maintain a large bureaucracy to monitor institutions' compliance with legislative requirements. Further research

into this interesting technique of system governance could yield valuable lessons for government involvement in other portfolios than education.

Implementation

The financial linchpin for making a reality of the unified national characteristic of the Unified National System is the Relative Funding Model (RFM). The Green Paper foreshadowed it by saying that future funding arrangements would remove funding distortions (which had developed under earlier CTEC arrangements), provide maximum discretion to institutions in their internal allocations, promote growth and diversity which comes from consolidation and encourage the continuing review of institutional performance in the context of local goals. The White Paper (Dawkins, 1988, Ch.8) spelt out how the Government intended to equalize the base funding of institutions by identifying significantly over- and under-funded institutions and instituting processes for compensatory funding.

DEET and NBEET jointly accepted responsibility for developing the means by which over- and under-funding could be identified. In November 1989 they held a conference of representatives of all higher education institutions to consider three commissioned studies of the relative teaching costs and to try to achieve some consensus about the parameters of a funding allocation model.

One interesting side issue of this exercise is the conceptual basis for determining relative teaching costs. The commissioned studies, which together with an AVCC study, came to be used as the basis for the model, all used the historical cost methodology. In a 'maverick' paper submitted to the conference, E. Prof. Russell Mathews strongly challenged the validity of this methodology, proposing that a more defensible approach would be to estimate the costs of teaching an average student through to graduation in minimum time, at each level of study in each discipline area. The application of his approach is, of course, not feasible unless and until some consensus is reached among educators about what are the standards of achievement required for graduation across all disciplines and levels, and what are the resource requirements to achieve these standards with different types and abilities of students. Nevertheless, Mathews was quite correct in criticising the historical costing methodology for not only accepting past inequities and inefficiencies in resource allocation but embodying them in future allocation formulae. (Incidentally, Mathews paper failed to appear in the published conference proceedings!)

The RFM was publicly launched in August, 1990, together with the results of its application to individual institutions. It would be interesting to review its application in the identification and compensation of over- and under-funded universities. I wish, however, to focus on the research aspects of reactions to the RFM, seen as an example of a financial instrument for implementing government policy. I believe that institutional reactions to the RFM provide a good illustration of a statement made in a recent OECD publication (OECD, 1990):

. . . the crucial links between expenditure patterns, costs and efficiency in higher education are the mechanisms by which institutions receive funds. A funding mechanism is not merely a device for allocating resources from providers to users. It is a system of control and an important two-way channel of communication between the providers and users of finance. The

terms on which funds are offered show the priorities of those who supply them; the ways in which they are used reveal the preferences of those who receive them.

Repeatedly official publications have made two points about the RFM: that it is intended for once-only application and will not be used after 1993, and that it is designed for system-wide use and does not provide a mechanism for the internal allocation of institutional resources (Baldwin 1990, 1991). Despite this, there are strong indications that the main elements of the model, namely, the use of weighted equivalent full-time student units (WEFTSU) and the separation of allocations for teaching and "research activities other than those inextricably linked to higher degree research training" (Baldwin, 1990, 14) are being used widely in budgetary decision making within higher education institutions. To my knowledge, these components are being used almost universally to distribute base operating grants among campuses of multi-campus institutions. (They are also being used to anticipate the possible financial losses to campuses which disamalgamate!) With various adaptations, they also seem to be used to distribute campus allocations to cost centres and even to departments within cost centres.

How can we explain this phenomenon of the disregard of Commonwealth advice and warnings? Is it that the institutional administrators believe that the main components of the RFM will continue to be used to determine the funding levels for negotiated profile changes in the 'out-year' of each rolling triennium, and therefore that they would be silly to develop their own allocational formulae which might give incentive signals which are at variance with those of funding authorities? Or is it simply that in the absence of adequate data about their own teaching and research costs, it is politically expedient to use a defensible externally-determined cost matrix which is acceptable to those who annually fight for budget shares?

A further intriguing question for speculation and research is, What will replace the RFM, and can we anticipate institutional reactions to whatever is the replacement? In launching the RFM, the Minister for Higher Education, Mr Peter Baldwin, said that "The next step will be to develop a mechanism to link performance with funding for teaching purposes". I wrote to ask him what this statement meant. His senior advisor, Jim Groves (5.11.90) replied,

The report on performance indicators by Professor Russell Linke is expected by the end of this year and the Government will be consulting with the higher education system before deciding how any system wide indicators will be used. Performance indicators are likely to include a range of measures in relation to both teaching and research. Those relating to research will influence decisions made about research grants, while the funding rate for growth could reflect an institution's teaching performance as well as actual costs.

While the last sentence is carefully qualified, it implies the Minister's intention to allocate the teaching component of base operating grants on the basis of Linke-recommended indicators of teaching performance. This would be consistent with the statement made in the White Paper (Dawkins, 1988, 86) that,

As soon as practicable, indicators which are agreed to be useful and

appropriate will be incorporated into the Commonwealth's general funding arrangements for higher education.

The Linke Report finally appeared in September this year. Yet the Minister's speech to Parliament in October (Baldwin, 1991a, 31) states only that,

The Linke study points to those indicators being of most use to institutions as part of a self assessment process rather than in direct application to funding at the national level. . . . The Government has no intention of prescribing performance indicators to be used by institutions. The Government is interested, however, in assisting institutions to establish and develop their management information systems including the development of quantitative indicators of performance.

Clearly, the Government has backed off its original intention to use performance indicators to allocate the teaching component of its base operating grants among UNS members. Why was this? Was it because the Linke Report took too long to appear? Or was it because the Minister and his advisors realised that since there inevitably are normative issues underlying all performance indicators, the endorsement of any set by the Government would surely involve it in major political controversy from which it could not emerge unscathed. And the controversy would be all the more bitter and unwinnable if it were to try to use the set to allocate large amounts of funding. So finding the reasons for this change of heart on the part of the Government would make a neat research study.

The abandonment of 'the next' step' in the development of ways to fund universities, only makes more pressing the question of what will replace the RFM. Will the Government try to develop new formulae? Its ready acceptance by UNS members suggests that any future formulae would be no more than modifications of the current WEFTSU matrix.

The show is moving on with such rapidity, however, that the matter of base operating grants as the major source of institutional funding is being called into question. The source of the questioning begins with a conundrum created by the Government's own policy on marketing education overseas. As a matter of equity, how can a qualified overseas student have the right to purchase a place in an Australian university when a similarly qualified local student (who has not received an offer of a place) does not have that right? The recent report of the Industry Commission (1991, 9) states bluntly:

The current arrangements for funding higher education for domestic students are flawed. . . . The Commission . . . recommends that the Government accept the need to alter current arrangements so that qualified domestic students are not precluded from a place in public universities.

In his speech to Commonwealth Parliament (Baldwin, 1991a, 23) rejected the Commission's recommendation on the grounds that "such proposals are contrary to the Government's objectives of promoting equity in higher education, as they would give preference to less qualified students with wealth over those without the resources to buy a place". The Government is clearly caught between two concepts of equity - one international, the other domestic. The Minister chose to address only the latter. It seems only a matter of time before the deeper issue of international equity forces a change in the way higher education is funded.

Even the conservative AVCC has recognised the inevitability of the outcome. It has recommended that "fees may be charged for Australian students enrolled in addition to government-funded quotas" (The Australian, 24.8.91, 12).

The Coalition parties have now included the issue as part of the education package in their recently-announced taxing and spending policies. While details are not yet clear, it would seem they are proposing to allow institutions to enrol, at fees set by the institutions, both overseas and domestic students who do not secure 'rebate vouchers'. The brain-child of Professor Karmel, rebate vouchers would be made available by the Commonwealth for awarding by individual institutions. Their value would be set as a percentage of a standard scale of tuition fees. The balance between the standard fee and the rebate would be paid either by students 'up front' at a discounted rate or by the Commonwealth through a HECS-type arrangement, according to the choice of individual students (The Australian, 20.11.91, 13).

Whether or not the Coalition parties gain government at the next election, it is clear that major changes are in store for higher education finance. These changes are likely to place less emphasis on the direct funding of institutions through such mechanisms as base operating grants, and more emphasis on channeling funding through aid to fee-paying students. Such changes will bring new opportunities both to apply research findings to policy development and to research the development of the new policies themselves. Only time will tell whether the new policies will improve opportunities for the students they affect!

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