CHAPTER 5

The Challenge to European Universities in the Emerging Global Marketplace

Howard Newby

Although the topic for this paper implies a focus on Europe, the issues I want to address are by no means limited to that continent. Without wishing to minimize the significance of national differences and continental contexts, it is possible to discern a set of generic issues facing higher education systems around the world which bear a distinct similarity.

My justification for this bold statement rests upon the findings now beginning to emerge from a major OECD programme, the OECD Thematic Review of Tertiary Education. (Reports and updates are available from www.oecd.org/edu/tertiary/review). This is a collaborative project to assist countries in the design and implementation of tertiary education policies which contribute to the realization of their social and economic objectives. It is based on an acknowledgement of the fact that the tertiary systems of many OECD countries have experienced rapid growth over the last decade and are experiencing new pressures as the result of a globalizing economy and labour market. As a result, in late 2003 the OECD agreed to establish the review, whose principal objective is to assist countries in the understanding of how the organization, management and delivery of tertiary education can help them achieve their economic and social objectives. The principal focus is on policies and systems, rather than the detailed management and operation of institutions.

The review encompasses the full range of tertiary programmes and institutions as defined by international statistical conventions. The project involves two complementary approaches: an Analytical Review strand; and a Country

Review strand. The Analytical Review strand uses several means — country background reports, literature reviews, data analysis and commissioned papers — to analyse the factors that shape the outcomes in tertiary education systems and possible policy responses. All of the countries involved in the programme are taking part in this strand. In addition countries can choose to participate in a Country Review, which involves external review teams analysing tertiary education policies in those countries. There are 24 countries involved in the programme, of which 13 have opted to undertake a Country Review. Not all OECD member countries are participating (there are currently 28 OECD members, with plans to add to this number); but, contrarily, some non-OECD members have sought to participate (e.g. Chile, China, Croatia).

The programme is expected to run until 2008 and is therefore not yet completed. I have been involved in the programme in a number of ways (including participating in the Country Reviews of Japan and China) as an external expert. It is clear to me already that it is providing a rich source of both statistical and non-statistical information from which certain common themes have begun to emerge. It is a discussion of those themes which form the basis of this paper.

MACRO-SYSTEM CHALLENGES

In some respects the challenges facing higher education [1] policy-makers around the world are remarkably similar and can be stated quite simply:

There is a common move towards expanding the proportion of the population achieving higher education qualifications. This produces a common desire to shift from an "elite" to a "mass" higher education system — known in Europe as "massification". This is occurring because governments all around the world accept that higher education is a major driver of the global knowledge-based economy and that the quality of human resources is, long-term, a major source of global economic competitiveness. Hence there is a desire to raise skills levels, including higher education skills. In many countries there are also strong social pressures to expand the opportunity to participate in higher education.

Governments all around the world not only wish to expand the sector, they also wish to achieve this expansion without any dilution of quality. Indeed, they wish to enhance quality at the same time as engage in expansion.

And finally governments all around the world wish to expand the sector and enhance quality while simultaneously reducing — if not in absolute, then certainly in proportional, terms — the burden of resources this requires from

1 For simplicity's sake I focus on the higher education sector in this paper, rather than the tertiary sector as a whole.

public finances. In the face of other public spending priorities — health, welfare, schools, security — higher education must take its place in the queue. So governments all over the world are seeking ways to reduce the burden on the taxpayer when it comes to defining their higher education policy goals.

These three public policy polarities — massification, quality enhancement and reducing the burden on the taxpayer — create a kind of force field which puts higher education systems around the world in a state of some considerable tension. It is apparent that it is difficult, if not impossible, to achieve all three of these macro-policy goals simultaneously and so different countries have sought different solutions, within differing socio-political contexts, in an attempt to reconcile these tensions. In some countries the pace of massification has been held in check — producing an increase in international student mobility. In other countries teaching quality has been allowed to slide, and even more the quality of the student experience has declined. In many countries the attempt is being made to shift the burden of financing from the taxpayer to the student (via tuition fees) and from the public to the private sector (by encouraging the entry of private, including for-profit, providers). All of this adds up to a highly diverse and complex policy mix at the national level. But what is ironic is that most countries see their own policy challenges as unique to themselves, when in fact the dilemmas they face are common to most others.

NATIONAL POLICY CONSIDERATIONS

Of course, at the national level the considerations outlined above express themselves in a variety of different ways. I am certainly not implying a level of homogeneity in higher education policy which can take no account of national, or even regional, factors. In recognizing this, it is also important to stress that different activities in universities have different geographical frames of reference. For example, research — especially basic research — is globally competitive and has been for several decades, especially in science and engineering. Undergraduate learning and teaching are more nationally-oriented (although this is beginning to change, especially in Europe). And knowledge transfer activity tends to be regionally, or even locally, focused. It follows from this that the competitive forces operating on research-led universities are predominantly global; while those operating on predominantly teaching institutions are mainly national.

This degree of complexity and diversity clearly presents a number of challenges in developing a consistent and coherent set of policies across the higher education sector. This is compounded by the multi-functional nature of modern universities. No longer are they limited to just teaching and research as they were just a generation ago. Today's universities are expected to engage in lifelong learning (not just "teaching"), research, knowledge transfer, social

inclusion (via widening participation or "access" for non-traditional students), local and regional economic development, citizenship training and much more. No university is resourced sufficiently to perform all these functions simultaneously and in equal measure at ever-increasing levels of quality. Moreover as competitive forces increase, universities must identify their areas of comparative advantage and focus on them. This "massification" has engendered an increasing diversity of institutions, both in terms of their mission and, as a result, their geographical focus.

How are national governments seeking to grapple with this level of diversity and complexity? It is apparent that the pace of higher education policy reform has accelerated in the last decade across the OECD countries, probably propelled by these factors among others. This is particularly the case in Europe, where the Bologna Process has provided the excuse — as opposed to the reason — for reform in several European countries. But the same features are observable outside Europe — in Asia, Australasia and even, in an emerging form, in the United States. Thus, at the national level, the generic issues of massification, quality enhancement and public affordability overlay an almost kaleidoscopic set of geographical, institutional and functional features which make it difficult to discern general trends.

For the OECD studies some common themes do, however, emerge. Three, in particular, stand out.

System-level Planning and Mission Differentiation

Since the 1990s there has been a tendency across most OECD countries to reduce the level of direct management from Ministries of Education or their equivalent. Granting greater "autonomy" to universities (see below) has been viewed as a necessary feature of developing a more flexible, dynamic and entrepreneurial higher education sector. This has been regarded as particularly appropriate for the development of leading research-intensive universities which, it is often observed, need to be imbued with a level of innovation, enterprise and dynamism which requires a level of institutional autonomy which centralized regulation can easily stultify. However, there is a recognition that, in certain other respects, too much de-centralized autonomy may work against the public interest. For example, most countries apply constraints to the variation in teaching quality which is considered acceptable.

For most OECD countries the major dilemma at the system level relates to how far mission differentiation should be encouraged, or even planned. As noted above, mission differentiation is emerging anyway under the impact of the twin trends towards massification and market competition. In the academic community there is general opposition to explicit forms of mission differentiation. Governments, however, are more ambivalent. Given that the primary mission differentiator in most countries relates to research perfor-

mance, and given the increasing public and private investment required to sustain global competitiveness in leading-edge basic science, then it is perhaps not surprising that many governments are increasingly prepared to countenance a planned, or at least managed, level of mission differentiation based upon the selective allocation of research funds.

In many countries this has engendered a lively debate about how far the sector should be strategically planned to achieve the optimum level of mission differentiation — optimum, that is, from the perspective of multiple policy goals: cost-efficiency, teaching quality, research excellence, business innovation, social inclusion, regional equity, and so on. The debate, however, is not usually as sophisticated as this implies. It tends to revolve around the desire to create and sustain a small number of "world-class" research universities whose relationship to the rest of the sector is, in the absence of any coherent strategic planning, not clearly specified. The advent of global "league tables" based on research excellence has also given these debates the flavour of a kind of higher education Olympic Games. Policy reforms in countries as diverse as China (Project 211), Japan (the university reforms of 2004), Germany (the Federal Finance Ministry's proposals — now abandoned — to designate five "world-class" research universities) and the UK (via the Research Assessment Exercise) have each included this as part of their objectives. And there are many other examples. In the United States it is interesting that an essentially competitive research economy at the federal level can coincide with a highly planned public university system at the state level — the epitome being, of course, California, but in reality virtually all states plan, strategically and operationally, their public university systems in a way which would not look out of place in post-war Europe.

By comparison with the debates around research selectivity, other drivers of mission differentiation are less vigorously debated. Following the Humboldt tradition of universities in Europe and elsewhere, for example, there is hostility to the notion of "teaching-only" universities being bona fide universities at all. Indeed this is the European Universities Association's declared policy stance. Once upon a time universities existed to provide teaching and learning, and research was a residual: now it sometimes seems as if the reverse is the case: students are the unfortunate necessity — a teaching "load" — whose presence detracts from research time. Be that as it may, teaching excellence, no more than other activities in the modern university, does not engender mission differentiation to the extent that research does. There is no widespread adoption of the American model of the "liberal arts" college elsewhere in the world, for example. Nor has knowledge transfer been embraced as a mission focus by any but a small minority of universities. Thus if world-class research is to be concentrated in a small minority of universities, few governments have explicitly set out their vision for the role of the remainder, even

though they constitute the numerical majority. To regard them as "merely" teaching-only is surely not good enough. They, too, need to be invested with the same elements of innovation, creativity and enterprise. Given that the status hierarchies of the academic community consistently rank research excellence above teaching excellence, these universities need to be incentivized to excel in their non-research choice of mission focus. In most OECD countries there is insufficient strategic planning capacity to "steer" their higher education systems in response to these issues.

In some respects this is understandable. Teaching provision is principally demand-led and so student choice is the main driver of what is taught and where. It is, of course, not an entirely unrestrained choice, but notions of manpower planning have, in almost all countries, not only been abandoned, but even discredited, certainly at the level of individual degree programmes. But do the choices of millions of students in thousands of universities add up to supplying the needs of the labour market? Politicians, employers, and even some academics worry about this constantly. For example, outside South-east Asia there is a long-term, consistent decline in the demand for degree programmes in mathematic, physics, chemistry and engineering. Conversely there has been a massive growth in business studies, media studies and cultural studies. Whether or not the market will eventually clear in response to supply and demand in the labour market remains hotly debated. In the meantime there is a reluctance to second-guess student choice. My point is not to advocate a return to manpower planning, but rather to indicate that beyond the particular example of mission differentiation via research selectivity, more OECD countries have no strategic planning capacity to steer other essential elements of the sector.

Autonomy vs. Regulation

In the debate on higher education policy, planning and regulation are often conflated. But they are not the same. Arguably in most OECD countries higher education is over-regulated, but under-planned. This is probably the most common tension at the national level. In most countries mission differentiation cries out for a strategic planning framework that will support it and allow it to flourish. Meanwhile in most countries the scale of public investment in a mass higher education system has, under the guise of "accountability", produced greater centralized regulation — audit, evaluation, quality assurance, transparent reporting. Yet, at the same time, there is a recognition, as indicated above, that universities flourish in a state of at least relative autonomy from the overbearing presence of centralized government regulation. In today's fast-changing world, universities, in common with other organizations, need to be agile, flexible and unencumbered by bureaucratic controls.

This presents dilemmas for all governments. Publicly-funded universities must be publicly accountable. As one former English cabinet minister once put it: "Universities can have medieval levels of autonomy if they are prepared to accept medieval levels of funding." So autonomy is not to be equated with laissez-faire. There is a public interest in higher education that needs to be reconciled with the benefits which institutional autonomy can bring. This is most obvious in areas such as guaranteeing academic quality and standards, ensuring the equity of student admission procedures, securing accessibility for students from poor families and/or remote regions, and so on. An appropriate balance therefore needs to be struck between securing the public interest on the one hand and encouraging institutional autonomy on the other. This implies allowing greater autonomy to institutions that have demonstrated their capacity to govern their own affairs effectively — but within a regulatory framework which constrains this autonomy in order to ensure that the public interest is secured.

There are no formulaic solutions to this problem. Different countries have attempted to deploy different mechanisms to reconcile these policy imperatives according to local history and circumstances. For example:

Some countries (e.g. the United States, Japan) have developed what might be termed a "managed market" approach. This admits market forces into higher education, including a substantial private, for-profit sector, but within a public-sector regulatory framework.

Other countries (e.g. UK, Ireland, Hong Kong, New Zealand) have developed so-called "buffer bodies" — non-governmental agencies which mediate the relationship between the government and the higher education sector, implementing regulation and distributing funding in one direction, while offering policy advice and quality control in the other.

Most countries, however, encourage competition between universities, but fall short of creating a genuine market. But in the quest to reduce the burden on public finances there is a greater willingness to contemplate a real, rather than a shadow, market in higher education.

The Role of the Private Sector

In many countries the burden on the public purse of higher education expansion has been mitigated by drawing upon private contributions to the cost, either from the students themselves through tuition fees and/or by encouraging the establishment of private institutions. In this respect the oft-cited example of the United States is unusual among OECD countries. It is comparatively rare for private universities to predominate in the elite segment of the sector. More commonly private universities cater for the excess student demand which cannot be accommodated in the more prestigious public institutions and where governments are unwilling or unable to expand provision

at a rate which will satisfy increasing public demand. This phenomenon can be observed over much of Eastern Europe, Asia and Latin America. Globally, higher education is now becoming big business, with several stock market-listed companies involved which are international in their scope. Many, somewhat confusingly, are established and controlled by affiliated public universities, providing a useful income stream (for example, many leading Chinese universities have established their own "minban"). Some are vertically integrated into the schools system (common all over Asia).

In many OECD countries the establishment of private universities is a potentially sensitive, if not contentious, policy issue. However, the private sector is increasingly prepared to respond to the social demand for higher education where the public sector does not have the fiscal capacity to do so. Looking forward this could apply to an increasing proportion of OECD countries. Even where private institutions are absent, more governments have been prepared to contemplate the introduction of tuition fees in order to sustain investment in higher education at a level which will both fund expansion and assure quality. Most economic analysis would support a high-fee, high student support, and therefore "needs blind", system of funding. But those countries which have moved in this direction (England, Australia, Japan — even China) have found it politically impossible to both charge fees at a sufficiently high level to sustain both growth and quality and to support a fees regime which is completely needs blind. Most existing systems are the reverse — fee levels too low to provide the necessary investment and still providing public subsidy to affluent households.

The issue, it seems to me, is less whether the necessary resources are publicly or privately generated than whether these resources can be brigaded in a socially equitable manner to assist in the achievement of public policy goals for higher education. In other words, can private institutions be encouraged to develop via a regulatory framework which complements, rather than conflicts with, state-supported access — especially with respect to quality assurance and widening participation. Unregulated expansion of the private sector (not a serious policy option in any OECD country) will be contrary to the public interest. But so, too, will be a policy which excludes the private sector and thereby restricts both access to higher education and innovation within it.

CONCLUSION

This brief overview of the challenges facing higher education policy is perforce perfunctory and very generalized. Nevertheless, reading many of the OECD Country Reviews, it is striking to see how many of these challenges are regarded as unique by the country under consideration, but also how striking are the commonalities amongst otherwise diverse nations. In terms of the

"force field" described in the opening section of this paper, it is clear that different countries' higher education policies come to rest closer to some polarities than others; but common observations suggests that all are grappling with the same sets of issues. Even those countries (e.g. in Scandinavia) with a long and deep tradition of state-provided, free-at-the-point-of-use higher education are questioning the level of public investment required in the face of other claims on public finance, not least because of predictable demographic trends. Adherence to this model represents a gamble on long-term political support if those university systems are to be internationally competitive in the long term.

Higher education is both a public and a private good. There are returns both to society and to the individual. This alone suggests that the way forward will involve a mix of public and private resources if universities are to continue to thrive. However, there needs to be greater clarity of policy in determining what the purposes are of public funding and a focus of resources on these purposes. Having established this, there needs to be less emphasis on detailed regulation and more emphasis on providing a strategic planning framework within which autonomous universities can be incentivized to excel — not just in research, but in all the other functions of the 21st-century university. The public interest rests not on creating a Gosplan for higher education, but in performance managing a sector which collectively achieves the multiple public goals which are expected of it, while allowing each university individually to focus on what it is best at delivering. The individual vested interests of universities will not add up to an overall national interest, but neither can a simplistic national interest be imposed on an increasingly diverse sector in a centralized way.