

The idea of a university Enterprise or academy?

Proceedings of a conference organised by

Manning Clark House
and
The Australia Institute

Edited by

Pamela Kinnear

Number 39
September 2001

THE AUSTRALIA INSTITUTE

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**Manning Clark House
and
The Australia Institute**

Held at
Common Room, University House
Australian National University
26 July 2001

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Discussion Paper Number 39

September 2001

ISSN 1322-5421

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Acknowledgements

We would like to acknowledge the work of many people who contributed to the success of the conference. First and foremost, our thanks go to all speakers who put significant thought and effort into the preparation of papers, despite their own very busy schedules. The depth of knowledge and experience that the speakers brought to the conference laid a strong foundation for excellent discussions throughout the day. We are grateful also for the contribution of the session chairs – Professor Don Aitken, Morag Fraser, Professor Judith Whitworth and Steven Crittenden – to whom fell the challenging and important task of co-ordinating discussion from the floor.

The success of the day was underpinned by the interest and active participation of all the conference participants, whose thoughtful questions and comments added significantly to the quality of the day's debates.

The Australia Institute would particularly like to acknowledge our fellow organisers, the staff and associates of Manning Clark House. Thanks are especially due to Penny Ramsay, Director of Manning Clark House, who worked with us tirelessly to ensure the success of the conference. The involvement of members of the Clark family was invaluable – Dr Axel Clark providing the original idea for the conference, and Sebastian Clark providing moral and practical support. Thanks are also due to Dr Bruce Kent for his thoughtful contribution to the development of the conference program, including its major themes and suggestions for speakers.

I am also personally grateful to my colleagues, Dr Clive Hamilton and Áine Dowling for their assistance in the organisation of the conference, Clive for helping us to keep focus and Áine for her highly competent administrative skills.

Pamela Kinnear

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Mary O’Kane

At the time of the conference, Professor Mary O’Kane was Vice-Chancellor of Adelaide University. She also holds the title of Professor of Electrical and Electronic Engineering within the University. Professor O’Kane is a director of the pharmaceutical company, F.H. Faulding & Co. Ltd and a member of the Board of CSIRO.

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John Byron is President of the Council of Australian Postgraduate Associations. A graduate of the University of Adelaide, he is currently a doctoral candidate at the University of Sydney, working in the English Department on representations of memory and identity in contemporary narrative cinema. He has taught a variety of subjects in literature and related disciplines at the Universities of Sydney and Wollongong, and has a research background in higher education policy.

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Simon Kent

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Editor's introduction

In recent years, and with increasing intensity throughout 2001, Australia has been engaged in a vigorous debate about the role and future of higher education in the life of our nation. Issues such as falling standards, academic freedom, funding levels, the global 'knowledge economy' and the dilemmas of commercial funding have dominated newspaper headlines, generating numerous inquiries into the quality of Australian universities. These concerns have reverberated around the world, stimulating alarm about the international reputation of Australian higher education in the context of competition for the global education dollar.

The high profile of these issues is virtually unprecedented in Australia. The intense media attention has exposed to public scrutiny problems that have been well known within universities themselves for a considerable period of time. However, the print and broadcast media cannot do justice to the complexities of the issues involved. Protagonists tend to 'fire shots across the bow', sidestepping many real but intricate issues. Moving the debate forward, therefore, requires engaging protagonists and other stakeholders in constructive dialogue, discussing the complex details in the context of broader visions and values.

It was with this objective in mind that Manning Clark House and The Australia Institute combined efforts to host a one-day conference entitled *The idea of a university: enterprise or academy?* The impetus for the conference was the desire of Dr Axel Clark – son of Australia's most eminent historian, the late Professor Manning Clark – to convene an in-depth debate about the ethos of contemporary Australian universities and their role in the nation's affairs and cultural life. This desire was consistent with the goal of The Australia Institute – whose study of academic freedom and commercialisation¹ sparked the media whirl in January – to move the debate beyond claim and counter-claim and towards policy solutions.

The conference was designed around major themes, and this discussion paper is organised in accordance with each theme and in order of presentation.

The first session, entitled 'Enterprise and change in Australian universities' was designed on a thesis/antithesis model of exposition, in order to bring fundamentally differing value positions within public debate into stark relief. The two speakers addressed the arguments for and against the marketisation of the university sector, focusing on the core values or distinctive features of 'the university' that may be threatened or enhanced by the changed environment. Professor Alan Gilbert, Vice-Chancellor of the University of Melbourne, opened with the message that universities must change or perish. His paper argues that in order for universities to survive in a rapidly changing world they must learn to accept, embrace and exploit commercial opportunities as well as develop more managerial styles of corporate governance. Gilbert stresses that there has never been a single 'idea' of a university and that the concept of the university has changed over time in accordance with changing social, economic and political conditions. It is therefore neither surprising nor alarming that the idea of a university is once again undergoing transformation. Professor Gilbert warns that by denying these realities those committed to the idea of a liberal university may jeopardise the very ideals they cherish.

In contrast, Dr Clive Hamilton outlined the perils of applying simplistic market-based models to a public good such as higher education, pointing out that doing so inevitably places strain on values that are central to the idea of the university as an 'academy'. His paper takes issue with those who accuse 'left-wing conservatives' of a nostalgia for a mythical Golden Age, maintaining that the liberal idea of the university is more necessary in a context where 'knowledge' is increasingly viewed as an instrumental value, rather than as an end in itself. Speaking as an economist, Hamilton claims that advocates of the enterprise university have uncritically and erroneously adopted the logic of the market in relation to higher education. Even economists of orthodox persuasions, he argues, know that market principles do not easily apply to the peculiar 'commodity' that is education. In rescuing the idea of the liberal university from the instrumentalism of the market-based 'knowledge economy', Hamilton calls for the introduction of a range of regulatory mechanisms that would protect core values, and would place universities outside, though not wholly insulated from, the market.

The second session addressed the theme of 'Quality, disciplines and commercialisation' covering issues of quality in teaching and research in the context of the shift towards private sources of funding for higher education. The papers presented span issues such as full fee-paying students, on-line teaching, access and equity issues, 'dumbing down', competition for research funding and academic freedom and the differential impact of the 'enterprise university' across disciplines.

Subsequent to the conference, Professor Mary O'Kane has resigned from her position as Vice-Chancellor of the University of Adelaide. She argues that, although by no means universal, in many areas of teaching and research, quality has undoubtedly declined. However, she argues that commercialisation has become the 'scapegoat' for this decline when, in reality, a range of other factors contribute to the decline in quality and in staff morale. She concludes by highlighting the disaffection of academics and the importance of introducing changes to ensure that academics are able to take a more active, positive role in determining the future of Australian higher education.

Professor Stuart Macintyre focused his discussion around the theme of falling enrolments in core disciplines, rejecting the claim that declining enrolments are purely a function of falling demand. Instead, he argues, allocating university operating grants on the basis of the ability to attract external research income disadvantages disciplines such as core sciences, humanities, social sciences and other arts-based disciplines. Such disciplines are less able to attract industry funding or other forms of external research funding, resulting in a self-fulfilling cycle of reduced demand as the quality of supply drops. This generalised decline affects the quality and range of courses on offer, a diminution of library collections, loss of expert staff and a reduced capacity to attract high quality staff from elsewhere. Macintyre argues that by no longer offering a full range of courses in the core disciplines, as opposed to more vocationally oriented study areas, many universities have now closed off the opportunity to test demand in core disciplines. In other words, it is plausible to suggest that the apparent problem of demand in these courses is, at least in part, a problem of supply. The message is that maintenance of the capacity and quality of foundational disciplines is essential, if not for itself, then at the least so that applied courses are well founded in their core disciplinary expertise.

John Byron, President of the Council of Postgraduate Associations, concluded this session by making a strong argument against the deregulatory agenda in higher education. He

maintains that there is little doubt that universities are in crisis and that the best evidence for this is found at the front-line of education – in the testimony of staff and students. Far from being easily dismissed as ‘anecdotal’, the accumulation in recent times of such testimonies provides a particularly accurate picture of the current condition of Australian higher education – a condition which Byron considers to be far from healthy. Byron maintains that although commercialisation *per se* is not principally the source of problems, many current troubles within Australian higher education stem from the ‘indiscriminate, dominating or incautious’ application of commercial approaches. This, combined with the increasing dependence on commercial funding, he argues, has resulted in serious damage to Australian universities at a time when their importance to the national interest has never been greater.

The third theme for the day was ‘Values and governance in Australian universities’. In this session, the focus was on forms of governance that are likely to enhance or undermine core university ideals, as well as on the appropriate role of governments in university operations and policy directions. Speakers addressed issues such as managerialism and collegiality, institutional autonomy and diversity, funding, accountability and performance management.

Professor Sir Bruce Williams opened this session with an historical examination of strategies that universities have adopted in the attempt to provide their key objective – a liberal education. His paper emphasises the ubiquity of change and asks whether changes to the governance of universities over recent times constitute a change in objective, or simply changes to the methods of achieving objectives. Williams argues that whilst changes up until the introduction of the Unified National System in the mid-1980s did not fundamentally alter the objective to provide a liberal education, the same cannot be said for more recent changes. After examining the pros and cons of the recent government-driven changes to the governance structures of higher education, he concludes that in general terms contemporary universities have, in fact, moved away from the provision of a liberal education.

As First Assistant Secretary, Higher Education, in the Commonwealth Department of Education, Training and Youth Affairs, Michael Gallagher is at the forefront of policy changes to higher education in Australia. His paper begins by describing characteristics of Australian universities in the contemporary environment – political and administrative shifts, effects of such shifts and likely future developments. Amongst such changes, Gallagher highlights the decreasing monopoly that universities now hold over teaching, research and accreditation. The increase of non-university provision of these services means that universities must emphasise their unique offerings in the new marketplace. To achieve this, universities must develop systems of governance to ensure that they are well placed to engage effectively with community and industry. Gallagher argues that Australia’s comparatively high level of institutional autonomy in the university sector is, and must continue to be, balanced by adequate levels of accountability. Such accountability entails streamlining university governance mechanisms and overcoming present operational deficiencies. In short, he argues, that the future of higher education is not in further regulation, but in more efficient and competent internal governance.

In contrast, Professor Simon Marginson offers a critical analysis of the governance style that has accompanied the shift to the ‘enterprise university’. He argues that while the Unified National System brought many benefits to Australian higher education, these

benefits are now exhausted. Indeed by world standards, the requirement for universities to ‘do more with less’ and operate as quasi-businesses in pursuit of their own interest is now obsolete, largely because the negative consequences of this approach have become acutely apparent. Australia, he argues, has yet to realise what the rest of the world now understands – that the over-reliance on the market model produces a fixation on revenue raising and other short-term outcomes, weakens the capacity to produce public goods, distorts the pattern of development, both in terms of course offerings and student types, undermines disciplinary diversity and basic research, causes declines in quality and ultimately, narrows rather than extends Australia’s capacity to operate globally. According to Marginson, the challenge is to develop a new paradigm of governance that gives priority to investment in long-term private and public goods in universities, in keeping with the new global trend.

The final session entitled ‘The way forward: Resurrecting the university in Australia’ was a panel-based discussion and therefore differed from previous sessions. Representatives from each major political party (Kim Carr, ALP; Senator John Tierney, Liberal Party; Senator Lyn Allison, Australian Democrats) as well as two other commentators (Simon Kent, National Tertiary Education Union; Andrew Norton, Centre for Independent Studies) briefly put forward ideas for the future of higher education in Australia. This was followed by a moderated discussion from the floor. Because of the nature of this session, speakers’ papers were not submitted for inclusion in the conference proceedings. The exception to this is the paper by Simon Kent of the National Tertiary Education Union, whose paper is a useful inclusion given that the perspective of the Union was not otherwise represented during the previous sessions.

Kent’s paper draws attention to the issue of funding and proposes that this is the ‘inescapable issue’ in Australian higher education. He argues for a substantial government reinvestment in public universities on the basis that further deregulation and reliance on market forces will result in excessive economic and social costs. Data are presented demonstrating that compared with its OECD counterparts, Australia is heavily reliant on private income for higher education. Kent takes issue with the position that reinvestment of public funds is economically unsustainable, arguing that there is much room to move in terms of Australia’s taxation policy. Contrary to popular belief, he argues, Australia is a relatively low taxing country and this is exacerbated by the fact that, generally speaking, it tends not to rely on dedicated tax spending for specific public purposes. He therefore advocates a range of reforms that could address these problems. Increasing public spending on universities would simultaneously resolve many current difficulties in university governance, difficulties that are intensified by funding pressures and the imperative to locate external sources of funding. He concludes by challenging incumbent and aspiring governments to arrest the decline of Australian universities by taking seriously issues of funding, equity and governance.

¹ Kayrooz, C., Kinnear P. and Preston, P. 2001, *Academic Freedom and Commercialisation of Australian Universities*, Discussion Paper Number 37, The Australia Institute, Canberra. See also *Sydney Morning Herald*, 8th January 2001, p. 1 and subsequent issues of the SMH and other national papers.

1. Enterprise and change in Australian universities

Change, continuity and the idea of a university

Professor Alan D. Gilbert

The New Testament warns against storing new wine in old wineskins. With wineskins, as with human institutions, the ferment of the new can prove too much for the inelastic fabric of the old. The metaphor is ancient, the idea contemporary. What works for one vintage may be dysfunctional for the next. Wine remains highly prized, but old wineskins outlive their usefulness.

The inherited fabric of higher education is under strain around the world. Increasingly pervasive information and communications technologies are enabling people to think differently about the ways in which higher learning is conceptualised, designed, developed and delivered. In particular, the ‘digital revolution’ is both creating and servicing a demand for ‘virtual’ learning environments and novel pedagogies that promise to transform both teaching and learning. Global demand for knowledge and knowledge workers is generating a demand for higher education and sophisticated training on a scale that has no precedent in human experience. These are mutually reinforcing developments. The resulting ferment is already testing the elasticity of the old wineskins of institutionalised higher education.

The emerging demand for ‘knowledge workers’

The demand for ‘knowledge workers’ will be the key driver in the kind of knowledge economy that Robert Reich examined in his seminal study, *The Work of Nations*.¹ The self-consciously evocative title, echoing Adam Smith’s famous 1776 work, *The Wealth of Nations*, is an indication of the centrality that Reich, a Secretary of Labor in the Clinton Administration, ascribed to his main thesis. *The Work of Nations* is indeed one of the defining texts of the new economy. It argues that around 40 per cent of a developed workforce in the knowledge economy will be made up of ‘knowledge workers’, and that the capacity to train, retain and add value to knowledge workers will be the single most important determinant of competitiveness and profitability for companies and nations in the 21st century.

An obvious corollary of Reich’s emphasis on knowledge workers is the certainty of accelerating global demand for higher education and advanced training. In developed countries, in the hectic decades after World War II, universities experienced a prodigious growth in student numbers. Mass higher education became a reality in the developed world, widening the boundaries of the academic profession and opening the doors of the academy to a far wider range of social, cultural and intellectual backgrounds than student communities had ever embraced before. In future, if the Reich analysis holds, not only will participation rates continue to rise in developed economies, but the demand for mass higher education will also spread to Third World societies aspiring to share in the rewards of the knowledge economy. At the same time, unprecedented growth in the overall corpus of human knowledge, which is currently

doubling every six to seven years, will create a massive market for lifelong learning as working professionals seek to up-grade skills and keep abreast of the moving edge of knowledge.

Henry Rosovsky, former Dean of Arts and Sciences at Harvard, told a recent Association of American Universities Conference in Washington, that there will by 2010 be 100 million people in the world, all fully qualified to proceed from secondary to tertiary education, for whom there will simply be no room on any campus anywhere. That is a scale of demand sufficiently powerful to have dissolved traditional monopolies and created new modes and relations of production in industry after industry over the past 200 years. Why should we suppose that the sheer weight of unmet demand in a global knowledge economy will not challenge and dissolve the monopoly that traditional campus-based universities have enjoyed since the 11th century?

New teaching and learning technologies

In any industry, the one thing capable of stultifying such powerful demand is the absence of alternative means of increasing the supply of goods or services. Demand withers if it simply cannot be met. But even the most entrenched monopoly is threatened by new technologies or new organisational arrangements that promise to satisfy a powerful demand that would otherwise remain unmet. It is therefore not unmet demand alone that will challenge the traditional idea of a university in the 21st century, it is the combination of unmet demand and new forms of higher educational delivery. The 'digital revolution' promises those without access to a traditional, campus-based university that alternative learning environments, knowledge repositories, communications facilities and pedagogic modes can and will be developed to meet their needs.

The really big money in higher education is even now beginning to flow into research and development designed to create new 'virtual' learning environments. What emerges will bear little relation to the 'second generation' learning environments of contemporary 'distance education'. Until now, a key feature of distance education has been its attempt to replicate, at a distance, the campus paradigm of teaching and learning. That traditional paradigm persists in the video and TV relaying of lecturers plying their trade and in all the efforts, via 'chat rooms' and e-mail tutorials, to apply the pedagogies of the campus learning environment to the dispersed learning communities of distance education. Major pedagogic break-throughs in on-line education will require the abandonment of efforts to mimic the campus.

The new paradigms appear to be emerging from an unlikely source. The immensely complex universes of knowledge and extraordinary levels of interactivity now available in the most sophisticated computer games have for some time been attracting the attention of military planners and strategists. Their lure is their capacity to create virtual environments so rich and complex that it is possible there to simulate even the most sophisticated 'real' world scenarios. For the same reason, the games paradigm is attracting the attention of educationalists. Experts within the Microsoft Corporation, charged with the responsibility of developing new on-line learning environments, have spent several hundred million dollars of precious R & D investment over the last couple

of years analysing the playing of a game called 'Asheron's Call'. Their work has been testing new pedagogic boundaries and offering an entirely new way of conceptualising on-line education.

Two things make cyberspace the new frontier of pedagogy. First, cyberspace is where a rising human generation is more and more at home. A survey of student behaviour carried out on some of the most prestigious Ivy League campuses in the United States last year discovered that the average undergraduate was spending up to six hours a day in cyberspace. University leaders in their 40s and 50s at Princeton, Yale and Harvard might have viewed this phenomenon with a mixture of bewilderment and distaste, but the truth is that such students do not see the 'virtual' as a pale reflection of the 'real'. To them it is a different, valuable and richly populated domain in its own right. They learn there, socialise there, play there, and there find both privacy and intellectual freedom. That is not to glorify the Web. Cyberspace is an amoral place, as full of error and misinformation and prejudice and downright evil as the physical world itself; but there is knowledge there, too, and highly complex tools for teaching and learning. My generation might always travel there as curious aliens, but we must imagine a future in which future generations are as at home there as we feel in sandstone halls and physical teaching spaces.

The second reason why 'games' technologies are likely to transform teaching and learning is that they promise unique and immensely interactive experiences for each 'learner', just as their recreational analogues provide each game player with a unique experience of complex, multi-layered intellectual challenges, self-paced improvement, reliable assessment of competence and the convenience of personal choice about the timing and duration of each 'virtual' experience. Significantly, from a pedagogic perspective, Microsoft's experimental game, 'Asheron's Call', was not a finished product distributed via CD-ROM. It was 'played' in a constantly maintained knowledge universe, overseen by experts working in shifts, and able to expand to accommodate the learning needs of the players, to set them new challenges, to introduce higher levels of sophistication as the players themselves became more sophisticated, and to keep detailed records of their evolving knowledge, skill and analytical ability. There was no attempt to mimic a 'real' learning environment. Rather the research was designed to explore the learning possibilities of cyberspace, and to capitalise on its unique pedagogic opportunities.

Such developments are in their infancy, but it is a reasonable presumption that each will build in momentum. A key driver will be that massive growth in unmet demand for university education. Microsoft and others are spending the big R & D dollars because they see in this kind of demand curve a major opportunity for new suppliers to enter the traditional province of campus-based higher education.

The impending higher education revolution

Such a convergence of demand growth and supply-side innovation means only one thing. Higher education is ripe for its own, long-delayed industrial revolution.

That is not to say that universities as we know them will not survive. Some almost certainly will. But they will just as surely lose their ancient monopoly over the delivery, assessment and certification of advanced learning and sophisticated training. They will face competitors operating in novel ways, exploiting new pedagogies, re-inventing the learning paradigm, reaching vast numbers of students via the Internet, re-designing the assessment and documentation of the learning process, and (perhaps) introducing new values, priorities and imperatives into the idea of a university. They will have to learn from these competitors, offering their campus-based students the best of the new learning experiences, not just the magic of the campus. Old institutions survive revolutions, but they do so at a price, and often to their immense benefit.

If you find this talk of revolution unbelievable, live another 20 years. In the meantime, accept the notion of an impending higher education revolution if only for arguments sake.

A new wine, of somewhat doubtful vintage, first appeared in the United States in 1955, when the giant American corporation, General Electric set up its own 'Corporate University'. If this was an idea whose time had come, few other corporations caught on immediately. But by the late 1980s perhaps 400 corporations had developed an in-house, institutionalised capacity to provide formal, certified training for their professional workforces. By then the idea was emphatically in vogue. Within less than a decade there were more than 1,000 such institutions embedded in major corporations, still mostly in the United States. Today there are perhaps 2,000.

Jeanne C. Meister, who has analysed the corporate university phenomenon, has observed in a book entitled, appropriately, *Corporate Quality Universities*, that 'The corporate university is emerging into the 21st century as the fastest growing sector of higher education'.² She argues that these new institutions should be understood as, 'both a state-of-the-art model for higher education and, in a larger sense, a key instrument for cultural change.' They are flourishing, she concludes, because the development of a 'knowledge economy' is producing 'a fundamental shift in the global education marketplace.'

Let me make two things clear at this point in my argument. First, I hope profoundly that Jeanne Meister is wrong in believing that the idea of a corporate university is 'a state-of-the-art model for higher education'; and secondly, I am persuaded that it is futile for those of us committed to more traditional ideas about universities to ignore the phenomenon of the corporate university as if it is some sort of transient irrelevancy. Peter Drucker, for several decades a shrewd observer of organisational change in an evolving modern economy, has this advice for the contemporary university: 'A time of turbulence is a dangerous time but its greatest danger is the temptation to deny reality.'

That is my most important message today. Those of us committed to the idea of a university will jeopardise the very values we hold precious should we succumb to that greatest of contemporary dangers: 'the temptation to deny reality.'

The persistence of the idea of a university

Will traditional ideas of a university be able to contain the new 21st century vintages now fermenting before our eyes? Ignoring questions rarely blunts their pertinence. Facing up to this question promises a genuine bonus. It may even enable us to influence the answer. That is one reason, presumably, why we are holding this conference.

Universities are among history's most robust institutions. Forgetting their roots in Plato's Academy, there have been more than nine centuries of continuous history since the first monastic universities appeared in Europe. But it has not been through one defining 'idea of a university' that these curious institutions have worked their civilising alchemy for nearly a millennium; it is through many evolving ideas about what a university is and what it stands for. At the beginning of that long history, the monastic university was concerned exclusively with the preservation of knowledge and its transmission to successive generations of religious (or monastic) clergy. Scholasticism then re-shaped the idea of a university. Universities opened their doors to the lay clergy, and while still profoundly religious in an epistemological and hermeneutical sense, the idea of a university became increasingly laic. This did not make universities in any sense secular institutions, but it did promote genuine intellectual activity. Increasingly irreverent critiques of received wisdom became possible in such universities, and rational inquiry began, tentatively at first and later with growing confidence, to test the boundaries of faith-based knowledge.

The intellectual culture and values of such universities still bore little or no resemblance to the modern ideals of academic freedom, rational inquiry and the pursuit of truth for its own sake. But the rise of humanism, the resurgence of classicism and the early development of empirical science each strengthened and enriched the laic, this-worldly qualities of evolving universities. The modern idea of a secular university as a place where rational inquiry and the remorseless logic of empirical falsifiability hold sway would have remained incomprehensible, at least until the Enlightenment of the 17th and 18th centuries, and unwelcome until well into the 19th, when a flowering of explicitly secular universities accompanied more general processes of secularisation in Imperial Britain, Europe and North America.

The fact that the idea of a university went through so many manifestations is too readily forgotten. If an impassioned academic conservative rails against the perceived betrayal of 'the idea of a university' – and I have heard such critiques – a serious question is begged. What particular idea or ideas does the critique espouse? Values and ideals now held sacrosanct often have a remarkably short pedigree. The idea of a research university, for example, has been extant for little more than 10 per cent of the long institutional history of the Western university. Yet many of us in the modern academy already find it entirely normative, and list it among the non-negotiable defining characteristics of an authentic university.

In Australia, particularly, such ahistorical thinking extends to the reification of the idea of a public university and the corollary that only public funding is ideologically sound and safe from potentially corrupting influence. In fact, the idea of the public university is neither ancient (for it is essentially a 19th and 20th century invention) nor normative

(for in most parts of the world it remains only one model among several. The partisan zeal with which many self-proclaimed defenders of ‘core values’ and ‘threatened ideals’ promote their antagonism to private funding or commercial activities merely illustrates how readily history can be conscripted into the service of ideology. For the truth is that throughout most of their long history, universities have been privately endowed and/or fee-based institutions. The best universities in many countries still are.

If history thus reveals not one but many ideas of a university, there are nevertheless certain enduring characteristics that have retained defining significance in Western universities across the centuries. The first, surely, has been the idea of a university as a scholarly place where truth is pursued through reasoned, disciplined inquiry, and knowledge valued, preserved, transmitted, advanced and applied. For many generations the truth remained rooted in faith-based premises, but the disciplined elaboration of scholarly arguments was no less impressive for that. A second defining characteristic has been the idea of a university as a cultural bridge across the generations for what Matthew Arnold once called ‘the best that is known and thought in the world’. That quest remains central, even though the epistemological tools used in the search have been transformed beyond recognition. A third defining characteristic throughout nearly a millennium of flux has been the role of the university as a chartered or licensed monopoly for the assessment and certification of higher learning. These three qualities, arguably, define the essence of the idea of a university. But we need to be cautious in arriving at such judgments. Until quite recently, for example, a fourth enduring motif would have been the idea of a university as a physical place: a campus or network of campuses home to a face-to-face learning community.

That later verity, as I have argued, will not survive our lifetime. Campus-based universities will survive, and continue to thrive. But the idea of a university will have been broadened to embrace ‘virtual’ learning environments and learning communities not defined in spatial terms.

Let me in closing return to the idea that so-called ‘corporate universities’ may become, in Jeanne Meister’s words, ‘both a state-of-the-art model for higher education and, in a larger sense, a key instrument for cultural change.’ I believe that the corporate universities she describes are impoverished learning environments, that have jettisoned much that they should have salvaged from the more traditional institutions with which they are, to an extent, competing. But they are not impoverished intellectually and culturally because they are commercial entities, but rather because they are too narrowly and essentially commercial in orientation and objectives.

Harvard, in contrast, is a commercial organisation in the sense that it secures around 40 per cent of its income from fees paid by students in exchange for educational services. But it is enriched, culturally and intellectually, not impoverished, as a result of these transactions, for it remains an essentially scholarly institution, uncompromising in its adherence to the highest of academic values and standards. Unlike Meister’s corporate universities, it is an autonomous institution. Indeed, it is the independence and integrity of its scholarly objectives and processes that makes it such a magnet for people willing to pay for premium higher learning.

Australia does not have any universities of the quality of Harvard. The gap between the best universities in Australia and the best universities in the world is large. On any commonly adduced international measure of academic standing, the best universities in Australia are not among the world's top 75 universities, and probably not among the top 100. They have quality researchers, but few nodes of research activity able to build the 'critical mass' research teams necessary to survive the loss of a few key individuals. The best of their undergraduates are superb by any standards, but the academic departments that produce them are complaining, rightly, of intensifying workload pressures and pessimistic about the maintenance of academic standards in the future. Nobel Laureate Peter Doherty is joining one of them from next year. That is wonderful! But their capacity to invest in world-class research and teaching infrastructure cannot at present match that of the top 100 universities in the United States and lags well behind that of the best East Asian and European universities.

That is why discussions of the idea of a university in contemporary Australia are focused so strongly on resources, and why some Australian vice-chancellors are openly criticised for being too 'commercial' in their strategic thinking.

Have such vice-chancellors become too materialistic? Is there a danger that they are mistaking the ringing of the cash register for the music of the spheres, or trying to place a commercial value on the quiet contemplation of truth for its own sake? What would John Henry Newman – author of classic text, *The Idea of a University*³ – think of their commercial ambitions? At one level it is unedifying even to try to answer the critics, who have already made up their minds that either crass motives or false consciousness inspires any university seeking to augment public funding from commercial activities. As some very angry students with a yellow spray-paint can wrote on the wall of my own vandalized office on 5 April this year:

Capitalism is organized crime
Alan you are a capitalist
You are guilty

It was nice, amidst the rubble, to see that Melbourne students can still construct a valid syllogism. But in syllogistic logic the truth of the conclusion depends on the truth of the premises, not just the validity of the logic.

The irony that those spray-painting students would not wish to consider is this. My obsession, and that of my colleagues in the Executive and on the Council of the University of Melbourne, is the creation, in Melbourne, of an intellectual powerhouse for Australia. We want to make our university home to many of the best minds and ideas in the world; we want to create and maintain a scholarly culture where researchers working at the cutting edge of knowledge are also teachers. We want Melbourne to be a university wherein successive generations of students may learn to respect the disciplined pursuit of knowledge through rational inquiry, and appreciate the best that is known and thought in the world, and acquire cognitive skills, intellectual honesty, humane values and professional expertise of the highest order. We want it to be a place where truth is pursued without fear or favour. We want to build, in Melbourne, an intellectual culture where rational inquiry is unfettered, where unconventional,

unpopular critiques of conventional values and paradigms are explored, where academic freedom is protected. We want to be one of the institutions that supply a competitive Australian knowledge economy with 'knowledge workers' able to match the best products of the best universities anywhere else in the world.

If we seem to emphasise the resource needs of such a university, it is because even the strongest traditionalist knows that great universities are well funded. Historical experience indicates, and current behaviour confirms, that even the most other-worldly scholar seems to like being paid; even the most dedicated searcher after truth for its own sake seems to choose a well-resourced institution over an impoverished one; even the most inventive scientist cannot undertake immensely complex number crunching without a supercomputer, or conjure up nuclear magnetic resonance findings by waving a wand. Competitive resourcing is not an end in itself, it is the means to the end of virtuoso scholarship. The full measure of funding required to make Melbourne the kind of university I have been describing is unlikely, in the foreseeable future, to come exclusively from government sources, so Melbourne is commercial as well as essential scholarly in the way it conducts its activities. It needs non-government funding, just as John Henry Newman did when he was engaged 150 years ago in establishing the Catholic University of Ireland, the institution that inspired his classic study, *The Idea of a University*.

Endnotes

¹ Reich, Robert B. 1992, *The work of nations : preparing ourselves for 21st-century capitalism*, A.A. Knopf, New York.

² Meister, J. 1994, *Corporate quality universities: lessons in building a world-class work force*, American Society for Training and Development, Irwin, p. 1.

³ Newman, John Henry Cardinal 1947, *The Idea of A University*, Longmans & Green, New York.

The university and the marketplace

Dr. Clive Hamilton

Can the university survive in the marketplace? That is the burning question that pits left-wing conservatives against right-wing radicals. Of course, the answer depends on what we mean by the university. In his famous lecture series in the 1850s, Cardinal Newman described the attributes of mind that arise from a liberal education as ‘freedom, equitableness, calmness, moderation, and wisdom ... the special fruit of the education furnished at a University, as contrasted with other places of teaching or modes of teaching’.¹

Some of us would like to rescue the idea of a university as described by this Catholic cleric. Contrary to the arguments of the inevitabilists, the choice is not between support for the enterprise university and a doomed return to a Golden Age. Far from being an anachronism, the Liberal University is even more vital today as a defence against the instrumentalism of the marketplace.

Newman’s central contention was that knowledge is capable of being its own reward and therefore well worth the trouble to acquire it.² Few would challenge this view in principle, yet all around us we see the idea undermined. The commercialisation of universities, the commodification of knowledge, the proletarianisation of academics, all of these trends reflect a view in which the intrinsic rewards of knowledge are belied, belittled and, in the end, mocked.

In the new globalised world, in which economics has become a fetish, we need to keep reminding ourselves of the intrinsic value of knowledge. The mind cultivated by education learns how to reflect; it is more likely to have recourse to reason; it is inquisitive and has the confidence to question received wisdom; and, rarely bored, it gains pleasure from the play of ideas. One might say that the well-educated person is blessed with a sort of grey and wrinkly entertainment centre. With knowledge we are more likely to transcend the ordinariness of everyday life, to extinguish apathy and to resolve prejudice.

The cultivation of mind is not achieved merely by the assimilation of a mass of information. The ‘information-rich’ are not learned, or even knowledgeable. ‘Tech-savvy’ often means intellectually underdeveloped. Newman stressed the distinction between instrumental knowledge and what he termed Philosophy:

...here are two methods of Education; the end of one is to be philosophical, of the other to be mechanical; the one rises towards general ideas, the other is exhausted upon what is particular and external.³

Like Newman, we should never decry the benefits of mechanical knowledge – our material lives, our health and much more depend on it.

I only say that Knowledge, in proportion as it tends more and more to be particular, ceases to be Knowledge.⁴

Unlike useful information, this knowledge cannot be forgotten because we are transformed in the process of acquiring it. It conditions our character.

[It] is an acquired illumination, it is a habit, a personal possession, and an inward endowment. And this is the reason, why it is more correct ... to speak of a University as a place of education, than of instruction ...⁵

Universities naturally engage in both instruction and education, but the more instruction displaces education – that is to say, the more the mechanical subjects dislodge the Philosophical ones (in the humanities, the social sciences and the physical sciences) – the less the institution can claim to be a university.

Newman's idea of the university is admittedly an ideal, but it is an ideal that universities have aspired to, and it is this idea that is today imperilled by the commercialisation of higher education. The mottos of the sandstone universities are unselfconscious in their attempts to capture the essence of a scholarly institution. From the ANU: 'First, to learn the nature of things'. From the venerable but troubled University of Sydney: 'Although the constellations change the mind is constant'. The motto of the University of Western Australia is 'Seek wisdom', and that of the University of Melbourne is 'Growing in the esteem of future generations', one that will be worth returning to in a decade or so. Even the redbricks and unitechs wanted a proper balance between instruction and education. RMIT aims at 'A skilled hand, a cultivated mind', as does UNSW, 'With hand and mind'.

Yet everything now conspires against Newman's idea of a university. The cultivation of the intellect for its own sake is viewed as wasteful, even decadent. Recently, I received a letter from a student completing honours in Classical Greek at the University of Sydney. After gaining a TER of 98.9, the consistent message she receives is that she is wasting her time, that while 'it's all very well to indulge in the humanities while [you are] young', sooner or later she will have to do something 'practical'. She has not relented, believing that her education has shaped who she is and allowed her 'the intellectual stimulation and space to explore all sorts of aspects of being human'. Some of her friends who opted for more 'practical' subjects have, unfortunately, 'become arrogant instead of humbled by their great debt to past geniuses and civilisations'.⁶

University courses are being transformed to meet commercial demands. In the Australia Institute's survey of academics in the social sciences, one of the consistent themes to emerge was the way in which university teachers have felt compelled to change their courses to make them more vocational. The changes have generally diluted their intellectual content.⁷

Eighty-eight per cent of respondents said that their universities give greater value to courses that attract full fee-paying students over other courses. The shift to vocational courses is at the expense of courses of a critical or speculative nature, that is, those that contribute more to the social and cultural values of the community. Some academics believe that the ability to pay is more important than the ability to pass, and that student demands are taking precedence over academic considerations. Wrote one:

Well, the universities are no longer communities of scholars but institutions which are aiming to satisfy rather undefined and unexplored market needs. This will inevitably constrain freedom of inquiry often in non-transparent and non-coercive ways. No one is going to censor or force us to do anything. We'll simply do the censoring ourselves trying to keep abreast of the market demands.⁸

The commercialisation of universities inevitably threatens the pursuit of excellence. The unification of Australia's higher education system in the late 1980s did not turn colleges of advanced education into universities; it began the process of turning universities into colleges of advanced education. If the objective of John Dawkins, the Commonwealth Minister for Education at the time, was to take the universities down a peg or two then he succeeded. (Readers of *Oliver Twist* will remember that 'John Dawkins' was the real name of the Artful Dodger.)

Contrast the sentiments of the mottos, and Cardinal Newman's words, with those of the promoters of university commercialisation. The case is put with remarkable consistency by three of its most forceful advocates, Vice-Chancellors Lauchlan Chipman of Central Queensland University, Alan Gilbert of the University of Melbourne and Steven Schwartz of Murdoch University, in an issue of the journal of the Centre for Independent Studies, an ultra-libertarian think tank.⁹

The story is a simple one. The basic premise is that the world has changed fundamentally as a result of globalisation. Even if we wanted to protect the university from the forces of the market we can do nothing, for the forces of change are irresistible. Higher education has become a highly competitive and potentially lucrative global industry in which knowledge has become a commodity. The traditional university simply cannot survive. Bold measures are needed to drag the universities out of their moribund traditions and management structures into the new globalised world. Only visionary leadership can save the universities.

These Visionaries argue that cuts in public funding and greater reliance on private finance have been good for universities as they have compelled them to become more internationally competitive.¹⁰ More deregulation and greater market-orientation are required, as this will put more power in the hands of education consumers where it properly resides.

The Visionaries are driven by imaginings of vast wealth that will flow from participation in this, the global industry *par excellence*. The rush to internet-based university education, and the corresponding student preference for easily digested bite-sized chunks of information, reminds me of the defiant defence of the illiterate farmers in the Western movies: 'Ain't got time for book learnin'. Perhaps this could be the motto of Universitas 21.

The most striking feature of the world of the Visionaries is the absence of any discussion of the contribution that universities can make to the cultural and social richness of a nation. While sometimes genuflecting to traditional values, the vision is based on a narrow economic worldview in which the benefits of education accrue to graduates through their improved employability. The Visionaries are not willing to

abandon the idea of the university entirely. But, just as conservative politicians like Prime Minister Howard affirm the importance of protecting the family and the institutions of civil society while simultaneously implementing the very neo-liberal policies that destroy them, so the Visionaries appear unable to concede that the more they open their doors to the forces of the market, the more they jeopardise the idea of a university.

The most fervent advocates of the enterprise university are frequently those who have absorbed only the bastard version of economic liberalism popularised by right-wing think tanks and conservative politicians. For even the most neo-classical economists are conscious of the limits to the theory. The application of market theory to universities is severely constrained by the peculiar nature of education as a commodity. We need do no more than consult a first-year text to appreciate why the market cannot produce an efficient outcome for educational services.

If we apply the panoply of orthodox economic analysis to this market, the central questions for higher education become: How much education do consumers want? What types? Who should get it and at what price? We know from economics that if the conditions are right then the market will efficiently allocate educational resources among competing uses. But what are the conditions needed for the market to operate efficiently?

Firstly, for markets to work efficiently, consumers need to be well informed. Yet the callow eighteen-year old consumers of higher education are unique amongst consumers for their ignorance of the value of what they choose, which explains why they are so often urged to take some time off between high school and university. They frequently have no good idea of what is in their own interests, let alone how their education can contribute to society's interests. While this has always been the case, the difference today is that the information that young people use to make choices about their higher education is not so much drawn from the wisdom of their elders but has been conditioned by historical changes wrought by the neo-liberal revolution. They are now influenced more strongly by notions of immediate employability, by rapidly disseminated fads about which industries are booming and pay the most, and by a social environment in which expectations about financial rewards have outstripped the ability of the economy to provide.

In addition, for markets to work effectively, consumers must have good information about the quality of the goods being offered by each firm. Firms that provide inferior goods or services compared to the competition will fail. But in the case of universities there are substantial spillover effects. Reports of falling standards – including allegations of declining pass marks, soft-marking for full fee-paying students, failure to penalise plagiarism and so on – damage not just the departments and universities that may be guilty, but *all* Australian universities.

If universities are enterprises then they must compete with one another. When many firms offer similar products they pursue market share through product differentiation and spend increasing amounts on the marketing and branding of their products. Ventures such as Melbourne University Private and the commercial arms of universities are sustained by the brand power of the public university accumulated after decades of

public investment. We can also expect to see universities begin to offer discounts and specials to attract students.

Finally, and crucially, markets operate efficiently only when there are no significant external effects or public goods. Education is perhaps the most important public good. Everyone benefits from living in a better educated society, and the enjoyment of each does not diminish the enjoyment of others. Nor is it possible to force people to pay for the privilege. The privatisation of education is a process in which more and more of the benefits of education accrue solely to the person being educated, and the spillover benefits to others are diminished. Commercialisation is therefore changing the nature of university education.

It is also changing the nature of students. When degrees become commodities, students are absolved from the responsibility to think. They are intolerant of material extraneous to the requirements of the course. They want the required information, and only the required information, delivered to them on demand. It is easier to reproduce ideas than to struggle with them.¹¹

As universities behave more and more as enterprises rather than academies, the relationship between management and employees is transformed. Academic staff are seen as a resource to be allocated rather than a community of scholars, and the value of each is measured by the identifiable contribution to the profit centres of the university. If, in the face of rapid change, academics are behaving like 18th century handloom weavers,¹² it is because the managers of the enterprise universities are behaving like Lancashire mill owners. The ‘trouble at mill’ is not due to the knee-jerk conservatism of academics but to an ingrained desire to protect the foundation principles of academic life against the corrupting forces of commerce.

Market theory does not work for education, and the avatars of the enterprise university are guilty of ‘market utopianism’. As I have said, the choice is not between support for the enterprise university and a futile pining for a Golden Age. The Liberal University must retain the values and principles that distinguish a university from a place of instruction and must do so in an increasingly predatory commercial environment. This desire is not confined to a few superannuated Australian scholars. In the mid-1990s, the Boyer Commission, sponsored by the Carnegie Foundation, reaffirmed the importance of linking teaching and research in America’s 130 ‘research universities’.¹³ Its report is a modern-day reaffirmation of Cardinal Newman’s idea of a university, a model for us.

Universities are communities of learners ... The shared goals of investigation and discovery should bind together the disparate elements to create a sense of wholeness.

The research university owes every student an integrated educational experience in which the totality is deeper and more comprehensive than can be measured by earned credits.

The Boyer Commission observed that investment in research does double duty, contributing to the education of the next generation as well as enhancing teaching now, quite apart from the benefits of the research itself.

The ideal embodied in this report would turn the prevailing undergraduate culture of receivers into a culture of inquirers ...

The ideal of the Boyer Commission is not so far from the practice in Australian universities in the 1970s and 1980s.

If we are to rescue the idea of a university, we must place the university in a realm outside of the market, although not wholly insulated from it. In practice, it means building a series of protections into the higher education system. These protections should include measures to protect academic freedom, that is, the spirit and practice of independent inquiry unconstrained by fear of retribution from powerful forces. We need university structures that support academics in their decisions to teach what it is important for students to learn. We need systems that require course standards to be compared across the university sector. And if academics are to serve as intellectual mentors rather than industrial drones, they need returned to them the power to make decisions about courses, course content, degree structures, assessment standards and admission requirements.

When they reach their teenage years, school children are wont to ask their teachers: 'Why are we studying this stuff? It will be of no use to me.' We try to explain that knowledge is valuable in itself because its acquisition trains us how to think and gives us a better understanding of the world around us. We tell them that when we better understand the world around us we are more comfortable with it and with our fellow citizens.

In the past, most children, and certainly the brighter ones, grew out of their adolescent functionalism. But the commercialisation of universities – with the inexorable shift to vocational education, the focus on the customer, the dilution of standards, and the warping of research priorities – represents a reversion to the adolescent approach to learning.

It is sometimes said that ontogeny recapitulates phylogeny. In other words, from birth, each person must pass through the stages that humanity itself has traversed. It is difficult to avoid the conclusion that the evolution of the enterprise university represents and reflects, not just a stalling of individuals at the adolescent stage, but a regression of civilisation itself.¹⁴

Endnotes

¹ Newman, John Henry Cardinal, 1960 *The idea of a university*, Holt, Rinehart and Winston, New York, pp. 76-7.

² '...the most unpropitious circumstances have been unable to conquer an ardent desire for the acquisition of knowledge' (Newman *ibid.* p. 78).

³ Newman, *ibid.*, p. 85.

⁴ Newman, *ibid.*, p. 85.

⁵ Newman, *ibid.*, p. 85.

⁶ Sally Greenwood, personal communication, July 2001.

⁷ Kayrooz, C., Kinnear P., and Preston, P. 2001, *Academic Freedom and Commercialisation of Australian Universities*, Discussion Paper Number 37, The Australia Institute, Canberra

⁸ Kayrooz et al. *ibid.* p. 38.

⁹ See the contributions in *Policy*, Centre for Independent Studies, Autumn 2000.

¹⁰Although Gilbert seems to argue that public and private funding are equally corrupting for they both make the university prone to outside control.

¹¹Students who protest against the commercialisation of their universities are the defenders of Newman's idea. They have enough education to be passionate about it.

¹²As Gilbert suggests in 'The Idea of a University beyond 2000', *Policy*, Centre for Independent Studies, Autumn 2000.

¹³Boyer Commission on Educating Undergraduates in the Research University, Report, April 1998 (<http://notes.cc.sunysb.edu/Pres/boyer.nsf/webform/>).

2. Quality, disciplines and commercialisation

Quality in Australian universities: decline and change

Professor Mary O’Kane

The big question we are asked to address in this session is ‘What is happening to the quality of teaching and research as the result of an increasingly commercial funding environment?’ In addressing this question I want first to comment on whether or not quality in teaching and research in Australian universities has declined in the last 15 years. Then I want to go on to talk about commercialisation and whether it is the drive towards commercialisation that is affecting quality or whether it is something else. I will suggest that it is actually a more fundamental problem.

Quality in education

Over recent years Australia has moved significantly towards having a mass higher education system. The student population in higher education has grown from 354,235 Equivalent Full-Time Student Units (EFTSU) in 1989¹ to 557,763 EFTSU in 2000.² The teaching and research staff in 1991 in Australian higher education was 27,988 FTE, and in 2000 it was 29,904 FTE.³ Student-staff ratios have increased from 13.7 in 1989 to 18.8 in 2000.⁴

Moving to a mass higher education system with higher student-staff ratios need not necessarily mean a decline in quality. However, some of the factors that go to make up a quality educational experience have definitely changed, and it is hard to see how it would be possible to maintain quality in the face of these. Let’s consider a few issues:

- Staff are considerably busier, more stressed, and older than they were, on average, 15 or so years ago, and therefore have less time for informal contact with students. This means that students nowadays are less likely to get the extra encouragement and stimulation they used to get through chatting with bright academics. It also means that the student who is lost or confused about a particular point in their study often has more difficulty getting access to staff than they might have had previously, and therefore spends more time trying to clear up whatever is causing the confusion, thereby reducing the progress they are making in their studies.
- Class sizes are bigger and contact hours are sometimes lower. Students tend not to get the detailed guidance they got from tutors when groups were smaller.
- Many students are working part-time now, so that students themselves have less time to devote to their studies.
- Due in part to the declining value of the Australian dollar, as well as declining funding, staff have less opportunity to travel overseas and to spend time at overseas institutions, meaning that international contacts are in some ways weaker than they once were, increasing the isolation of the Australian system. This is offset to some extent by greater internet access.

- Facilities are poorer. Libraries have cancelled large numbers of serials. Classrooms are crowded in some universities. Buildings are often in poor repair. In short, universities are less pleasant places than they should be if we are to provide a good ambience for study.
- There are fewer technical staff than in the past, which means that laboratories are not maintained at the levels they were in the past.

Add together all these factors, and it is no surprise that it is increasingly hard to attract good young people to be academics, and increasingly hard to attract the best staff from overseas.

In summary, probably what is happening is that the brightest and most independent students are still doing well and sparking off each other in many cases. The quality of their higher education experience probably lies more in stimulating their own self-education processes than purely in the quality of teaching. However, students who are less able probably do not get the same quality experience in their time in higher education institutions.

Quality in research

In discussing this issue with colleagues there is a fairly general consensus that there is still a considerable amount of high quality research in Australian universities, and that Australia still has some top research groups. Good groups have taken advantage of issues such as the internet and telecommunications improvements. While they might be travelling less, they still use travel to stay in contact with groups overseas and they have increasingly strengthened their electronic ties to various groups around the world. Such groups have also been creative in seeking a wide range of sources of funds. They have worked hard to get what they can to fund basic research and they also seek a range of funds for work that is more application-oriented. They have become more sophisticated about using improvements in universities' contract-writing ability to write better agreements that are more legally secure and commercially realistic. They have tried to build in a diverse range of activities within their teams, and tend to be looking at big research problems from a variety of angles. This provides some security, as does the range of types of funding, so that if one source dries up there are other avenues to continue with. They have formed a range of national and international partnerships that complement and extend the work they do in-house.

The groups that are at the very top of the tree at the moment are not necessarily those that were in that position 15 years ago. It is possible that there are some good groups in Australia that have been somewhat sidelined by large-scale investment in similar research in a variety of overseas countries, and, in these areas, Australia has been unable to keep up. However, other groups have emerged. It is not unusual to see such cycling in research although it raises a question of what Australia does in areas where it can no longer compete.

Where the top groups are thought to be considerably weaker than they were 15 years ago is in three main areas:

- the groups are older;

- they are not necessarily training up the numbers to come behind them. It is increasingly the case that there is not enough funding put into early career researchers to give them time to find their feet, due to insufficient funds to employ them for extended periods;
- there is a decline in research infrastructure.

It is particularly important that Australia addresses the question of early career researchers and works out ways to ensure them a good future, not just in terms of researchers who can apply themselves to given problems but researchers who are able to define new areas of knowledge and find ways of tackling them, as well as putting together teams to work with. If we do not do that, we are not going to be a country that continues to have a good record of knowledge generation, let alone a country that grows in its knowledge generation. We have maintained the 2 per cent figure in terms of scientific publications and citations for some time, but it is probably of concern that this figure is not growing at a time when countries in our region are growing in their percentage shares (admittedly from a low base).

Although I have argued that there is still a range of top groups in Australia doing high quality research, the question remains as to whether there are as many people active in research as there were, say, 15 years ago. Certainly the clawback of funding to create the Australian Research Council (ARC) in the late 1980s meant that universities had less money to distribute in a discretionary way to research. Arguably, there are fewer academics who are as well informed in terms of scholarly developments in their field than there were in the past, both because of this clawback and because of increased business as outlined above in relation to the quality of teaching. It's hard to get a quantitative measure of this, but the general impression among academics is that this is so.

There is also a question about research in the humanities and social sciences, and whether Australia is adequately valuing this. Again this issue is frequently raised and has been a major focus of the Academy of the Humanities and of the Academy of the Social Sciences, but it is hard to ascertain the real situation as there has been no tracking of the matter in a formal or quantitative sense for some time.

**Why have some aspects of universities declined in quality?
Is it due to commercialisation or something else?**

The implication is that commercialisation is the problem when we're trying to find someone to blame for decreased quality in teaching and research. I believe the argument is not nearly that simple. The question turns much more on a range of diverse and contradictory beliefs as to what a university is, and the role universities serve in a modern society, particularly a society which ostensibly values a knowledge-based economy. I think we've tended to change the role of universities without debating what we want from universities as clearly as we should have done. There are echoes in the debate about universities of the debate over the privatisation of Telstra and other formerly government-owned services, and of the debate over the funding of private schools in Australia. A great deal of this debate is rooted in different ideologies. The debate also is affected by the fact that there is a Federal-State issue here, with

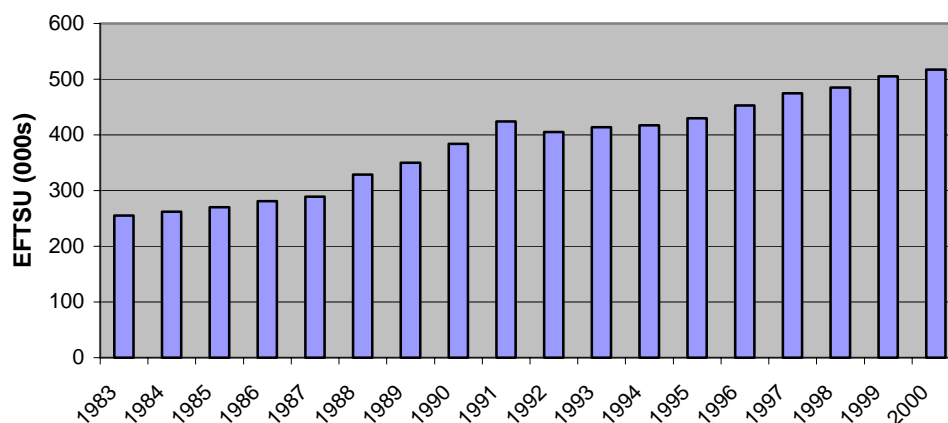
universities established and monitored under State Acts, although the largest blocks of funding come from the Commonwealth.

Australia built up a system of universities starting approximately 150 years ago, which provided higher education and charged fees until 1974, when the Whitlam Government abolished fees for higher education. At this time, the system was also expanded. But the next major change occurred in the course of the so-called Dawkins reforms in the late 1980s when policy and funding changes were made to make more rapid moves towards a mass higher education system, and one where the funding to enable the system to grow would not involve a large increase from the public purse, but rather the system would be funded by a mixture of public and private funding. The main private funding was a clever income-contingent loans system, the Higher Education Contribution Scheme (HECS). There was also the decision to allow universities to charge fees for a limited number of courses. Most notably they were allowed to charge fees for some postgraduate coursework awards, and to overseas students. Some growth money was available, but most of the growth was to occur at marginal rates. Universities that wanted to offer anything above the standard offering would have to fund the difference from money earned from fees or other means such as the commercialisation of research, or through bequests, grants, private investments and so on.

Also in the late 1980s a change was made to research funding with the so-called clawback of funds to create the ARC. This meant that universities had less funds of a discretionary character to support research. If they wanted to gain research funding it was more likely to be gained through targeted project work applied for through agencies such as the ARC and other national competitive granting bodies. This meant that universities immediately had considerably less discretionary money to work with.

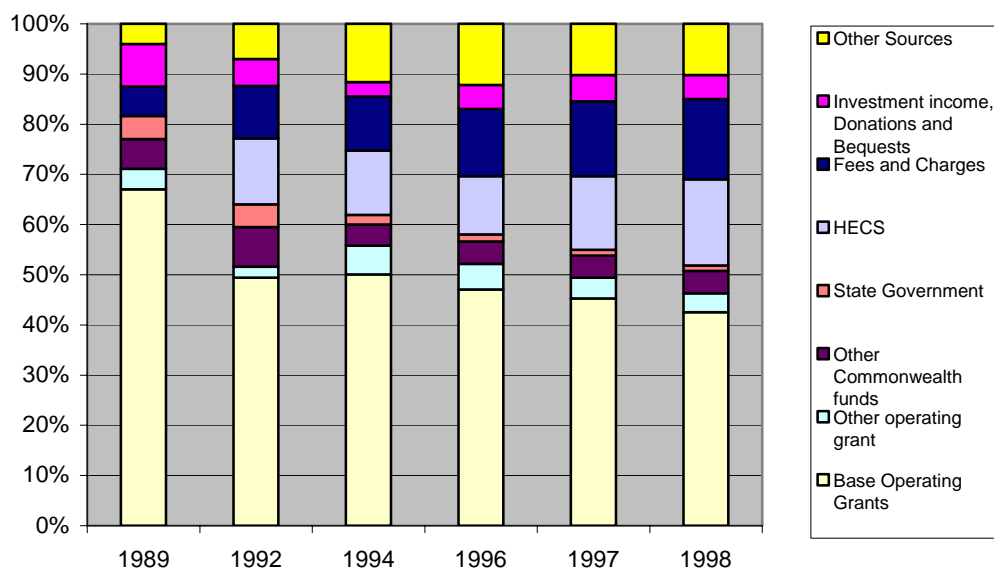
If we look at the various measures of the 1980s, we can see that they have been successful. If we consider the growth of the overall numbers in the system, it has almost doubled from 1983 to 2000 (see Figure 1).

Figure 1: Student load (EFTSU) in Australian tertiary education institutions, 1983-2000⁵



In terms of the funding mix, it is interesting to consider the change in this area (illustrated in Figure 2). Here we see a considerably higher percentage in terms of funds that are earned through HECS and fees (private sector funds) and in terms of competitive earnings. In absolute terms it would seem that the policy initiatives of the late 1980s have succeeded.

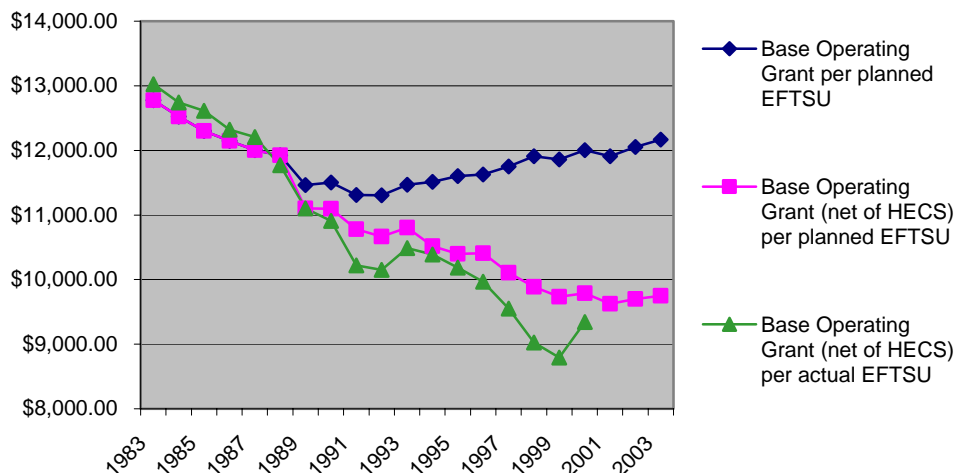
Figure 2: Revenue by source – all Australian universities, 1989-1998 (selected years)⁶



While these policy measures might have succeeded, we have now reached a point where the system is in considerable crisis. Staff dissatisfaction is high. Academics claim they do not have enough time to think, whether to produce scholarly teaching materials or to do research. They claim administrative workloads are too high. General staff feel pressured and under-resourced at a time when they have been asked to do more work, particularly with regard to sourcing or supporting new funding sources. Why is this so?

Some of it comes directly out of the funding issues of the late 1980s, particularly the determination to grow the system without fully funding that growth and the inevitable result that Government grant funding has decreased (see Figure 3). In many universities it has been hard to convince staff to teach fewer subjects or adjust the offerings downwards in line with lower funds. Increased numbers of full fee-paying students means that many students see themselves much more as customers and are arguably more demanding in terms of what they want for their dollar. This adds considerably to the levels of stress in the universities. Having to compete for funds, whether from full fee paying students or research dollars, contributes to the level of stress experienced by staff across the system.

Figure 3: Base operating grant - all Australian universities per EFTSU, 1983-2003⁷



The situation has been made more complicated by further changes to government policy in the 1990s. There has been an emphasis on growing at the undergraduate level, sometimes at the expense of postgraduate places. This has meant that universities have increasingly had to charge fees at postgraduate course work level, with a dramatic drop off in interest in many courses or the offering of some courses at non-economic levels. (This might change with the introduction of the Postgraduate Education Loans Scheme (PELS)). In the mid-1990s, funding for salary increases, apart from small indexation, was stopped. Universities have had to find subsequent salary increases from non-government funding sources. Differential HECS has been introduced, and although its effects are not fully understood it has arguably led to a decline in some of the more expensive areas, most noticeably science. This exacerbates the effect whereby students are generally less interested in science, and, given the enormous growth in this area previously, means that universities are left with large numbers of staff and fewer students than they would like. From 1996 to 1998, there was an absolute cut of 4 per cent across the system to operating grants, and a reduction of load to go with the cut in funding. In 2000 the Chief Scientist released a report in which he asserted that universities were neither adequately commercialising their research nor putting in place the right staff incentives for this. While this is undoubtedly true, it adds pressure both to university management and staff to take on yet another task, which is furthermore not a task they have been trained to do. All of these issues have added to the general complexity of the system and to the stresses within it.

There have been other issues which are related to changes in government policy, not necessarily directed at higher education, but which have nonetheless impacted the system. One of these is the removal of the retirement age. The introduction of enterprise bargaining has not worked well for universities. The main tertiary education union, the National Tertiary Education Union (NTEU), noting government changes with concern, has worked hard to oppose these and has found, quite sensibly, that the most useful weapons lie within the enterprise bargaining framework. The NTEU has tended to adopt a pattern bargaining strategy that has been most effective in protecting the interests of members in the various enterprise bargaining rounds. An industrial award was introduced in the mid-1990s, the Higher Education Contract Employment (HECE)

Award, to deal with the difficult problem whereby young staff were typically employed on contract only as universities could not afford to increase their permanent staff. HECE provided that, except in a limited number of special purpose cases, all staff had to be permanent. This added significantly to pressure on staff salaries in universities.

There have also been dramatic increases in accountability requirements for public sector organisations across a range of areas, in terms of the environment, health and safety, financial reporting and so on. This has led to increased costs throughout the public sector. More recently there has been significant concern about the use of public sector money for commercial ventures. This concern particularly affects universities, which have had to engage in commercial ventures to find the additional funds needed to resource the system, but (quite properly) questions are raised as to whether this puts public sector money at an unacceptable risk.

I mentioned above that while universities are established under State legislation, they receive a fair amount of Commonwealth funding. Most States have raised questions about university governance and have tried, as is common with boards of public sector entities, to ensure good community representation on governing bodies, as well as representation that will help the increased focus on raising money from other than Government sources. In the case of the universities, however, there has not always been an adequate realisation of how the mix of issues they are trying to resolve through more diverse representation on university councils will work. This issue probably has some distance yet to travel.

The widespread stress in universities has led to general dissatisfaction. Subsets of university organisations have reacted differently. Some have chosen to typically exceed allocated budgets as a matter of course, despite the best endeavours of management, almost as a protest vote against expenditure restrictions and increasingly tied revenue. Those 'good' departments that are willing to work hard are increasingly unwilling to join in new ventures as they are inevitably 'pulled down' by those departments that are unwilling to be part of a new system. Universities now have the situation where large numbers of staff are strongly opposed to the direction of policy that must be adopted. In particular, staff who were in universities from the time of the Whitlam Government and experienced a no-fees system which was relatively free in terms of research and low student numbers, see the current stress in the system as unacceptable and to be opposed at all costs. Governments have not tried to address this problem by providing funds to enable these staff to exit the system in a dignified way, nor have they helped universities by providing governance mechanisms, or even the rhetoric, to address the issue.

Can a university continue under these pressures?

Are the pressures getting too great?

Is it a matter of sitting it out?

The answer to all of these questions is that it's hard to know. I would point out that some parts of universities have functioned quite well in the current regime. I would point to the relatively independent Graduate Schools of Management in several States, and to a small number of the Cooperative Research Centres. It would seem that these organisations are able to use the brand name benefits of the big universities, while

retaining relative independence as organisations. In effect, they are often joint ventures, with their own boards, in which the institutions whose brand names they use are ‘merely’ shareholders. The staff in these areas are highly motivated, with their primary allegiance directed strongly to the smaller organisation. They enjoy the commercial aspects of their work and often have remuneration packages that reflect rewards for particular styles of performance. Perhaps in some areas the system could be revitalised by being broken into a series of small organisations such as these and then built up again – a sort of a reverse Humpty-Dumpty!

However, at present, far too many staff have lost interest or become actively hostile to the process of change because, in short, there has been nothing in it for them and no reason for them to support it (such as better remuneration or what is often equally, if not more, important for academics, better facilities and working conditions). Facing more stress, greater pressure, and more demands from students, peers, funding bodies and review processes, it is understandable that academics are sceptical about change and cynical about the future direction of higher education.

I believe that as much as in the issue of quality in education and research, the crisis in higher education lies in staff morale, and major change is needed at all levels to ensure that academics have a positive stake in, and therefore become the drivers of, the future development of higher education.

Endnotes

¹ DETYA, *Students 1999: Selected Higher Education Statistics*, Table 49.

² DETYA, *Students 2000: Selected Higher Education Statistics*, Table 48.

³ DETYA, *Staff 2000: Selected Higher Education Statistics*, Table 2.

⁴ Australian Vice-Chancellors’ Committee, *Actual Student:Staff ratios 1989 to 2000*.

⁵ Extrapolated from various sources, including: DETYA, *Students 1999: Selected Higher Education Statistics*, Table 49. Australian Vice Chancellors’ Committee, *Funding Tables 2001*, Table 3. (http://www.avcc.edu.au/australias_unis/statistics/uni_funding_expenditure/index.htm)

⁶ Australian Vice Chancellors’ Committee, *Key Statistics on University Funding and Expenditure, July 2000*, Table A.11.

⁷ Australian Vice Chancellors’ Committee *Funding Tables 2001*, Table 5. (http://www.avcc.edu.au/australias_unis/statistics/uni_funding_expenditure/index.htm)

‘Funny you should ask for that’: higher education as a market

Professor Stuart Macintyre

In the early 1970s I went to the United Kingdom to pursue postgraduate studies. My time at Cambridge was happier than that of Manning Clark at Oxford in the 1930s, but there was one source of minor irritation. The local shopkeepers exhibited a combination of servility towards some of their customers and summary contempt for others. Mr Flack, the newsagent, was perhaps the stingiest. At that time one of the London newspapers offered a 50 per cent refund for subscribers, and I had mislaid the previous month’s receipt. Mr Flack was prepared to issue me with a new one but it would cost me twopence for his time and his stationery.

If the English achieved renown as a nation of shopkeepers, they had slipped some way by the era of the Three-Day Week. My wife sought a new seal for the pressure cooker with which we made New Zealand neck chops palatable, but no shop seemed to have one in stock. ‘Funny you should ask for that’, one man told her, ‘for we get a lot of requests for pressure cooker parts, but we don’t stock them — you see, there’s no demand’.

As with English shopkeepers and rubber rings, so with Australian universities and various fields of study: those who want to study a language, classics, philosophy, even history and literature, mathematics, physics and chemistry are told they are no longer taught because there is no demand for them. As the number of students in higher education increases, the proportion engaged in these core disciplines of the sciences, social sciences and humanities decreases.

Enrolments in the core sciences are falling both relatively and absolutely. While the number of Bachelor of Science students increased from 40,254 in 1989 to 67,327 in 2000, the number studying mathematics, physics and chemistry all fell. There were 7956 equivalent full-time students of mathematics in 1989, 6900 in 2000; 4717 equivalent full time students of chemistry in 1989, 4137 in 2000; 2893 in physics in 1989, and 2008 in 2000. The areas of greatest enrolment and fastest growth are in computer science and the biological sciences.¹ These disciplines attract students because of their clear vocational utility, and they attract research funding because of their industrial utility. Presented with such opportunities, universities are reconfiguring their science faculties, rebadging their degrees and shifting their research effort.

The implications have been explored in a recent survey of the mathematical sciences in Australia. Between 1995 and 1999 it is estimated that there was a 26 per cent decline in the number of mathematicians working in Australian universities. Some of our ablest mathematicians are leaving Australia to pursue their careers, and some of our ablest undergraduates are choosing other fields of study: ten years ago there were 250 honours graduates in mathematics; now there are 150. With falling numbers of mathematics graduates going into the schools, the number of Year 12 students who take advanced mathematics also falls.²

A similar pattern is apparent in the country's Arts faculties. In 1998 there were 3779 equivalent full-time students of philosophy in Australian universities. Last year there were 3628.³ They are enrolled in 16 universities, for philosophy is taught in only one of the newer universities that were established in the 1980s. That university is Charles Sturt, which has by far the largest enrolment, 560 equivalent full-time students, most of them police trainees who study applied ethics. The arrangement illustrates the impact of vocational training on even the most recondite of disciplines. It has benefits for both the police and philosophy, but the employment of ethicists does little for other branches of philosophy. Charles Sturt University also supports the largest philosophy department, with 14 academics. In 1998 there were 145 philosophers teaching the 3779 students. By 2000 they were reduced to 131. Excessive class sizes had increased, while the range of subjects taught had diminished.

For the discipline of history it is possible to relate a more detailed account as 30 years ago Geoffrey Serle conducted a comprehensive and prescient survey of the profession. He found there were 320 historians with tenure in the country's sixteen university history departments in 1971, with perhaps another 100 in temporary positions, 75 in neighbouring university departments and 200 or more in the other tertiary institutions. This yielded a maximum estimate of 750 academic historians.⁴ By 1989, following the transformation of the colleges and institutes into universities, a gathering of heads of departments reported 450 staff members. A survey in 1994 calculated that number had fallen to 410 and another in 1996 reported a little more than 300. The most recent, in 2000, found 300 historians in 30 institutions that responded, and a further nine non-respondents might have taken the number close to 350.⁵

These calculations are necessarily approximate, for few of the post-Dawkins universities maintain history departments and the historians they employ to teach in a variety of courses are not easily picked up by the profession's voluntary census. Some of the sub-disciplines that Serle recognised, such as educational history and economic history, are no longer taught and those who used to teach them are redeployed in a fashion that makes it hard to identify the survivors even in the pre-Dawkins universities. Most of these older, more traditional universities have also reorganised their history departments into larger, multi-disciplinary schools, usually after an earlier loss of staff by the free-standing department. At the University of Sydney, a history department with 41 positions in 1988 shrank to 26 by 1996 and now has 23 staff in the School of Philosophy, Gender, History and Ancient World. At Macquarie University, a department of modern history fell from 28 to 14 between 1988 and 1996, and now has eight positions in the Division of Humanities. Monash and La Trobe, which in the late 1980s supported large departments, are now down to 16 and 19 positions respectively.

Sometimes the loss of staff has been managed by abandoning geographical areas or periods of history. Sometimes it has resulted from voluntary resignations or posts left vacant after resignation, so that it is no longer possible to study medieval history at this university or modern German history at that one. Once the specialist scholar goes, postgraduate supervision ceases, serial subscriptions are discontinued, monograph collection lapses. Before long, the scholarly resources so carefully built up are reduced to a derelict wasteland. These former departments continue to offer a sequence of history subjects; they offer a fourth-year honours program of advanced seminars and

they enrol postgraduates. But the range of subject choice is narrowed, the fourth-year honours program is constrained, postgraduate research is constricted and the capacity to train specialists in important fields is lost.

My final example is the teaching of languages other than English. In 1999 a working party headed by Anthony Low undertook a study that was particularly concerned with collaborative schemes for teaching languages. The report appeared with the euphemistic title, *Subjects of Small Enrolment in the Humanities*, and made valuable suggestions for how such collaborative schemes could best operate so that an undergraduate in one university could undertake study in a language offered by another. Its survey of the maintenance of language teaching in Australian universities reveals an alarming attrition of face-to-face language teaching. Just one university in 1999 taught Hindi, and just two taught Vietnamese. There were significant shortcomings in the availability of Russian, Korean and Arabic; the Classics were judged to be vulnerable. Even more alarming was the rapid abandonment of many community languages; between 1997 and 1999, 13 of them were lost to Australian universities.⁶

As with history, so with languages. The bare statistics say little about the narrowing of the curriculum, the dispersal of library collections, the diminution of research capacity, the disappearance of cognate teaching in literature and history, and the organisational restructuring that all too often reduces a department to a service program. Such contraction of provision soon validates the argument that there is insufficient demand to sustain a language. Acquisition of a language other than English is a substantial undertaking. The learning of grammar, the memorisation of vocabulary and mastery of pronunciation demands a sustained commitment that is likely to falter unless the student is engaged by the culture in which it is embedded. A lively department in which there is an honours program and postgraduate activity is able to sustain enthusiasm. The drop-out rates from language programs taught as a service activity confirm the claim that there is insufficient demand to maintain them.

This inventory could be extended to other disciplines. During 1996 and 1997 the Academies of the Humanities and Social Sciences undertook a major strategic review of the disciplines they cover. Their very substantial reports make a strong case that scholars in these fields contribute significantly to research and research training, which were the principal activities they examined. They also observe that Australia is falling behind in its support of research, a concern echoed in the Chief Scientist's subsequent report, *The Chance to Change*.⁷ The report of the Academy of the Humanities places particular emphasis on the decline in working conditions, the strains on infrastructure, the increased student-staff ratios and reduced entry-level opportunities for younger academics.⁸ The Arts faculty at my own university is exceptional in its maintenance of maintenance of fields of study and increase in staff.

The emphasis in these various disciplinary surveys is on resources, both human and other, because it is on staff numbers and the circumstances of academic life that those who are concerned with the state of their disciplines dwell. They are concerned with the contraction of the profession, the paucity of research funding and the inadequacy of libraries and laboratories as a constraint on the capacity to fulfil their vocation. But what if no-one wants to learn from them? There is an apocryphal story told of a professor of

an ancient Semitic language who held an endowed chair at Oxford and in the absence of students pottered about his college until, after many years, a student sought tuition – to find that the teacher had forgotten his discipline.

Those who perceive higher education as a market are unlikely to be impressed by mere inventories of resources. They want to see evidence of demand. If there are falling numbers of academic staff to teach a particular course, that might indicate that not enough students want to learn it. If research is declining, then presumably it does not yield useful knowledge.

It is not that the defenders of the disciplines are bereft of arguments for their practical utility. The notion of scientific discovery as an end in itself, so powerful in the research ethos that created the modern university, is seldom encountered now in its pure form. We are more likely to hear of research as an activity linked to innovation, and of the unexpected uses that proceed from the most arcane discovery in a field of pure research. The custodians of the humanities insist, and justifiably, that they too have a vital role in the knowledge economy. The difficulty is that these claims seldom correlate with the patterns of research support. Nor is it apparent that the funding of research from public and private sources provides an adequate measure of demand. Industry funding of research is influenced by the different strategies of companies in different sectors, which in turn are affected differently by the government's unstable taxation provisions for research expenditure.

The problems of applying a demand and supply model to university teaching, as the evangelists of the enterprise university urge, are considerably greater. Students choose courses on the basis of imperfect information, differential pricing and locational availability. Some options are constrained (there is a finite number of medical faculties and the places within them depend upon teaching hospitals), while others (such as business studies) allow ready expansion. Market signals suffer from long delays (a degree course takes a minimum of three years) and do not correlate with national need: hence the decline of graduates in mathematics.

The principal measure of demand for higher education is the entry score needed by school-leavers to obtain a place in their preferred course and institution. The entry score is expressed in most States as the position in a rank order of all those who were assessed at the end of Year 12, so that an entry score of 95 indicates that the top five per cent qualify for entry in that course. Entry scores are affected by the number of places (a course with 1000 places and a score of 95 might have more entrants with a score of 99 than a course with an entry score of 99 and just 100 places) and are subject to manipulation, yet they reveal a clear pattern of strong demand for medicine and law, where entry scores in the high 90s are common among leading universities. The highest entry score in Arts is for my own faculty at the University of Melbourne, where a score of around 90 is usually required; the Monash score is in the mid-80s, and the Universities of Western Australia and Queensland require a score of about 80, with other large faculties falling lower and some going down to the 60s. Scores for Science, where prerequisites reduce the size of the pool, are no higher, and often worryingly low.

Investigation of the reasons for these preferences reveals a plethora of factors.⁹ The reputation and ambience of the institution weighs heavily. A student from a rural high school is more likely to be attracted to a regional university, one from a metropolitan private school to a sandstone. Class and gender patterns operate. Parents, former classmates and careers advisors play an influential role. There is also substantial evidence that undergraduates change directions after they begin their courses. Yet the weight of vocational considerations is indisputable. The high demand for law and medicine attest to the prestige of these professions, and other courses that provide professional accreditation and strong job prospects are increasingly popular. Employment rates and salary scales have become a principal index of educational success. Business studies is now the largest as well as the fastest growing field of study.

In an educational market such shifts in demand produce changes in supply. Universities are provided by the Commonwealth Department of Education, Training and Youth Affairs (DETYA) with a fixed number of places for HECS students. They are restricted in their division of this student load among their faculties by DETYA's requirements as well as their own configurations of buildings, equipment and staff. Within these restrictions, they respond to the demand signals by reallocating load from courses with low demand to those with high demand. A faculty with a low entry score is liable to lose some of its student places, and with them some of its funding.

Faced with these pressures, some faculties of Arts and Science have created their own specialised courses with stronger vocational orientation. In Arts it has become common to offer a degree in Media and Communications; Computer Science performs a similar function in Science. These courses typically attract large numbers of applicants, though it is not clear that they improve the host faculty's entry score: if the specialised course draws applicants who would otherwise enrol in the Bachelor of Arts or Bachelor of Science, then the demand for the general course is depleted. Some universities have in effect cannibalised their generic degrees with what are usually termed 'tagged degrees', and it is in them that the move to applied studies is most apparent.

Yet these organisational changes provide an imperfect picture of what is actually taught in such courses, and the scholarship and research that sustains them. Mathematicians and philosophers are remarkably adaptable scholars, capable of taking on a service role while practising and maintaining their disciplines. There is little evidence in the statistics I cited earlier of a decline in demand for either discipline. The fall in enrolments in mathematics was greatly exceeded by the fall in the number of mathematicians. The four per cent reduction in philosophy Equivalent Full-Time Student Units (EFTSUs) over three years was accompanied by a reduction of 10 per cent in staff. The classes that are offered are larger than ever. It is supply rather than demand that is languishing.

The contraction of provision began some time ago when the Commonwealth expansion of the number of university places outstripped its funding of the universities. The universities accordingly turned to the recruitment of international students into vocational courses, while the introduction of HECS increased vocational considerations among domestic students. The process gathered pace in 1996 when the then Commonwealth minister, Senator Vanstone, reduced funding and ended

supplementation for salary increases, while offering the universities greater freedom to enrol fee-paying domestic students. Most of the vice-chancellors who embraced this Faustian compact promoted courses with obvious vocational outcomes. Arts and Science have suffered accordingly. Many of the students who enrol in these faculties discover too late that it does not offer a full course in the discipline that captures their interest. We have already closed off the opportunity to test demand on many of campuses for some of the core disciplines, for even if you want to study them they are not offered. Our universities appear to provide another instance of the failure to stock pressure-cooker parts.

Changes in the support of research at our universities reveal a similar shift towards an imperfect market. Just 50 years ago, as research became an integral part of the activity of Australian universities, government was persuaded of the public benefits of a national research capacity. Commonwealth funding provided for research facilities, research libraries, postgraduate research scholarships and research grants. Learned academies were formed, university presses and academic journals established. Study leave and provisions for international travel helped join Australian scholars to the forefront of international scholarship.

Gold might not tarnish but some golden ages do. While some took advantage of the increased opportunities for research, others did not. The opportunities were provided to researchers in the universities, which remained limited in size and coverage, but denied to those on the other side of the binary divide. The architects of this system, particularly Sir Leslie Martin, the physicist whose inquiry in the early 1960s created its blueprint, were insistent on the distinction between pure and applied research.¹⁰ The links with industry remained weak.

This system came under increasing strain from the mid-1970s as the economy faltered and public provision was curtailed while demand for higher education increased. When John Dawkins reformed the sector in the mid-1980s, he put a greater emphasis on accountability. Some of the funding that had been provided to the universities to support their research activities was sequestered into a national pool and reallocated to individual researchers and research groups. Instead of making an eleemosynary provision for all, the minister preferred to provide more substantial funding to those who were best able to use it. While peer assessment guided this concentration of research support, the distribution of funds was overlaid by centrally determined priorities and encouragement of industry partnerships. Through these and other devices the Australian Research Council tried to reconcile academic and market values.

These changes strained the disciplines, but they have since been overtaken by the extension of the same principles to the core funding of universities. Several years ago the Commonwealth changed its formula for the operating grants of universities. The research component is now determined by measures of performance based primarily on inputs, so that those institutions that attract substantial research income are rewarded. There is a minor and very approximate output factor, publications, which uses definitions and weighting that disadvantage the humanities. Postgraduate research places are allocated according to similar measures with stringent requirements for timely completion. Furthermore, a weighting applies that is meant to allow for the

differences in cost of research in different disciplines: the laboratory disciplines receive 2.35 times the funding of the non-laboratory disciplines. Meanwhile, in July 2001 the Prime Minister's Science, Engineering and Innovation Council convened a meeting of the key national funding bodies to advance the process of identifying research priorities.

As universities seek to maximise their share of the available funds, they apply similar formulae to their own funding models. Research support and postgraduate places go to those faculties, departments, centres and teams that best conform to the Commonwealth's model. The universities are indeed required to formulate research plans that show how they will promote such concentrations of research activity. The growing differentiation of research opportunities has been formalised in the new concept of the 'research active staff' (defined on the basis of publication, postgraduate supervision and research grants). There is a very real danger of recreating the binary divide within the unified system of higher education.

The new regimen has wrought considerable change in how universities manage their affairs and in the way that academics conduct their teaching and research.¹¹ There is both an institutional and individual preoccupation with measurement of performance. The aggregate of research funding has become a measure of the research performance of a university; its newsletter and glossy promotional literature will feature the research project that attracts the largest grant as the paradigm of excellence. Academics, who are usually so resistant to external direction of their activity, show a surprising responsiveness to these market signals. A lawyer will write a journal article rather than a case note because the former is included in the publication index and the latter is not. It becomes more difficult to find a book reviewer or a journal editor, because those activities, so necessary to the scholarly infrastructure, are not recognised as research activities for funding purposes.

The core disciplines of the sciences, social sciences and humanities are especially disadvantaged by the emphasis on research income as a determinant of funding. They find it harder to attract industry funding, which is concentrated in the biological and technological sciences. Some of the disciplines are especially disadvantaged by the new conditions on postgraduate research: in linguistics or anthropology, where substantial fieldwork is required, a candidate will have great difficulty in completing his or her thesis in the time that is required for funding purposes. More generally, the application of simple aggregate measures across the range of research fields pays little heed to issues of quality. The British system where discipline panels evaluate research performance on a qualitative basis is far more conducive to breadth and excellence.

A friend of mine who works as a mathematician in a leading American university and also in a medical research institute in Melbourne recently attended an Australian conference on molecular biology. He was astonished that so many Australian researchers have chosen to conduct their work in applied areas downstream from the basic research on the genome in the belief that the competition will be less keen. Without first-rate pure research, our applied research will be parasitic and insecure. So too in the humanities and social sciences, the quality of our work in applied ethics or language testing will depend upon strong departments of philosophy and linguistics. Without them we are dependent upon the paradigms of others.

The Australian universities dealt themselves into these fields during the post-war decades, and Australian scholars established international reputations for the quality of their contributions across a range of disciplines. As we have moved to a more competitive model of higher education and research, we need to ensure that we sustain that standing. We need to attract able students to studies in Arts and Science, and to provide them with a comprehensive education that affords both breadth and depth. We need to maintain the capacity for research in the foundational disciplines on which the applied fields are based. We need to use the efficiencies of the market to strengthen our universities and help them serve the intellectual activities that are their proper concern.

Too many homilies of this kind end on such a note of exhortation. Let me here be more practical and suggest some specific steps. Faculties of Arts and Science need to engage closely with their sources of recruitment and their end users. We need to work with schools to explain that there are good reasons to pursue a liberal education in the post-compulsory years of schooling and at university. We need to work with employers to help them recruit our graduates. And we need to impress on those who control our universities that the present volatile mix of public and private provision is self-defeating even in its own utilitarian terms. The present funding arrangements apply a one-size-fits-all formula to disciplines with quite different needs and capacities. It is not beyond the national wit to devise strategies that can allow the university to operate as an enterprise while sustaining the academic activities that constitute it.

Endnotes

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‘I tell you these things are real’: a short testament from the front

John Byron

While the contemplation of the idea of a university is a most worthwhile exercise – one that is long overdue and urgently required – it falls to my lot to describe the condition of the system as it is currently experienced by those who define it: the students. At the conference that stimulated the production of these papers, my session was entitled ‘Quality, disciplines and commercialisation,’ accompanied by the rather more specific and provocative question, ‘What is happening to the quality of teaching and research in an increasingly commercial funding environment?’

I find myself, then, turning away from the gentle contemplation of the idea of a university and compelled to focus instead on the very material reality of our universities. As the conference was proposing a dichotomy for thinking about the university – enterprise or academy – I felt it incumbent upon me to trace the effects of the higher education sector’s experiences with the increased reliance upon the commercial functions that universities have recently been exploring. The idea, presumably, is to see how things have been going, as a possible indication of what we can expect in the future should we continue down that road.

The short answer is, things have not been going well, and they are about to get much worse.

Before I defend such a bald statement, however, I would like to address a question of methodology. Examining the trajectory of implemented policy changes and the accompanying trends in the performance of the system provides the basis for extrapolation, predicting the effects of going further along the same path. Of course, such a method is open to the criticism that it does not prove causality. To this I would reply that the causal link is often witnessed at the level of pedagogy, where the real frontline impact of policy impulses emanating from the Federal Government translate directly and indirectly – at any rate, tangibly – into effects. There is little need for speculation or induction in our tutorial rooms and laboratories, where the hard evidence is all too apparent.

For this reason, the accounts of staff and students are of paramount importance if one wishes to acquire an accurate picture of the condition of education today. Despite this, staff and students are seldom consulted at present, and their testimony is often ignored or derided; in Parliament, at conferences and in the media. At the same time, and presumably in the service of the same wilful ignorance, anecdotal evidence is currently getting pretty bad press – a curious line for people to take, when anecdote is good enough to put you in jail when it takes the form of witness evidence, and that a sufficient accumulation of anecdote is more commonly known as history. Evidently some people are much more comfortable not hearing what we who actually work in universities have to say about them.

In considering the impact on quality of commercial practices in higher education, I would first like to unpack that curious and ubiquitous word, 'Quality'. The current discussions about the effects in our universities of funding pressures and commercial arrangements tend to focus on quality but often neglect to examine the effects on the intimately related questions of equity and diversity. Quality, equity and diversity – QED – are the primary measures of the health of a thriving and useful education system. They are intimately bound up with each other, and in practice in the contemporary university are not coherently separable. A university that is performing poorly in one of these indicators is performing poorly overall. This interdependence is readily understood when we consider the role that education has to play in society as a whole, and the kinds of things that might characterise a quality education system from the point of view of the society it serves.

Equity considerations are fundamental to discussions of quality. Equity of access, equity of participation, and equity of benefit are all basic indicators of the success of a public education system. Matters of equity go to the utility of the educational experience, but more fundamentally to the basic objectives of public education in a social democracy.

On most measures, our university system is not performing terribly well, and in some areas it is in decline. For instance, Aboriginal and Torres Strait Islander students enter higher education at one quarter the average rate at which the Australian community takes up university study. Of these, many will not make it through a university system that fails to respond to the presence and demands of a different set of knowledge systems, and does little to combat significant dropout rates. Those who do achieve a degree are only half as likely to proceed to postgraduate study as the average Australian graduate. The future prospects of those leaving the system, at either level, are somewhat subdued – in terms of seniority or financial benefit – compared with their non-indigenous peers.

These figures are indicative. The participation rates for people with disabilities are utterly appalling and in decline, and the commencement, participation and completion rates for most other equity groups tell the same story. The problem is that current policy is written without much latitude or tolerance for the supposedly 'non-standard'. If you write policy assuming that the typical or model student is a white, male, Anglophonic, Australian-born, straight, young, fit, single, financially independent, right-handed applied scientist without children or disability, then sooner or later your student body starts to look a lot like that, because the inflexibility of the rules of engagement renders it more difficult for others to participate. This is not in the best interests of those inside the system, unstimulated by their peers, let alone all of those who are shut out. And the evil consequences for civil tranquillity – particularly in the context of an increasing nexus between education and prosperity – are entirely predictable.

Diversity is another feature of education that is clearly in our national interest to defend, and it too has several meanings. In these proceedings, Stuart Macintyre writes of the importance of maintaining a diversity of disciplinary strengths. It is also crucial that students and early career academics are exposed to a diversity of available lines of

enquiry: innovation – that much abused word – does not arise from picking winners, but from encouraging eclectic and adventurous thinking. It is crucial that we foster a diversity of opportunities for individuals to be exposed to fields outside their own, to encourage cross-fertilisation of ideas, exposure to problems, and new ways of seeing. To serve the entire community adequately, we must maintain a minimum quantum of diversity of modes and contexts of educational provision.

Australia is performing moderately well in some of these respects, and quite poorly in others. Our most spectacular failure is in the decline of disciplinary diversity within a sharp overall decline in postgraduate coursework enrolments. This decline – rapid, alarming, and unsustainable – is directly related to the full deregulation of postgraduate coursework study in 1996. In compensation for a severe reduction in basic operating grants, universities were permitted to charge completely unregulated, market-based fees for postgraduate coursework. Simultaneous with this move by the Howard Government was a significant upshift in the job market in ‘credential creep’. This saw an increase in the number of graduates who perceived that they needed a postgraduate coursework qualification either for accreditation, or for competitive advantage in the job marketplace. The combination of a growing market with an unfettered fee regime for the provision of education in public institutions has kept universities afloat financially through the very difficult years of reckless abandonment of principles of management to the vagaries of the market. But the price has been heavy, perhaps disastrously so, and it remains to be seen whether the Australian education system – and the workforce it has been unable to train – will be able to recover.

The equity concerns are manifest. People unable to come up with the cash, or to go deeply into debt, are simply excluded from further study. For five years, many talented graduates have been shut out of opportunities for further study – sometimes for the acquisition of professional accreditation – that would be beneficial to themselves, to society and to the economy, simply because the Howard Government mistook a community responsibility for a cost-shifting opportunity. In doing so, it is quite possible that the Government has slaughtered the cash cow in its enthusiasm to subdue it.

In diversity terms, however, the result has been equally dramatic. Left with no alternative but to view expensive postgraduate coursework study as an investment and nothing more than an investment, many graduates in discipline areas unlikely to reap significant financial benefit to offset the large outlay are compelled to forego further study. These graduates – many still paying off a HECS debt at a repayment level set at just 58.6 per cent of the average weekly earning – simply cannot find the wherewithal to pay their fees. Postgraduate coursework enrolments in fields of study such as agriculture, health sciences, creative arts and the enabling sciences are in decline by as much as 40 per cent in the five years since the Howard Government took office and pursued its aggressive deregulationist agenda. This trend is occurring against a background of an overall decline of 12 per cent, which sees even business and administration dropping (only the IT and related disciplines are still on the rise).

The national interest is hardly being served by the massive disinvestment in higher learning, particularly in key discipline areas, but the determination to abandon education

to the commercial markets means that the trend will go on, as the system remains unmanaged. The widely touted Postgraduate Education Loans Scheme (PELS) will not significantly reduce this disciplinary skewing, as it addresses only the ‘up-front’ part of ‘full up-front fees’, and leaves intact the brutal reality of a higher degree as a purely monetary investment. The poor remunerative return on fee investment in many fields of study of vital concern to the community will remain, and will perhaps be exacerbated by the upward pressure on course fees that the availability of credit will introduce.

And so to questions of pedagogical quality and the preservation of standards. It has been argued that there is a distinction to be made between declines in quality, and declines in standards, and that it is useful to preserve the distinction in discussions about our system. I certainly agree that this is a useful approach. It is important to track the performance of students, institutions, disciplines and the system as a whole against standards. However, it is equally important to track the movement of the standards themselves, as their loosening can reveal a tolerance of declining quality overall. Measures of standards – such as the increasing level at which set texts are used for undergraduate courses, or the further tightening of normative marking practices against all expert advice – consistently support the argument that we are demanding and accepting less proficiency than ever before in our students.

There is plenty of anecdotal support for an increase in the number of incidences of lax marking decisions, and an increase in institutional support for or even pressure towards such practices. Much of the evidence I have heard about dubious practices, or the exhortation to indulge in them, has been from the mouths of casual tutors and demonstrators – mostly constituting postgraduate students wishing to embark upon academic careers. Unfortunately, the climate of fear that enshrouds universities over such matters today has kept most from coming forward, as casual staff at the outset of their careers understand all too well that no action can be brought against institutions for choosing not to employ them a few years down the track.

Other manifestations of quality concerns include the deliberate truncation of postgraduate coursework degrees to gain competitive advantage, or at least to prevent market disadvantage. The degradation of the value of the Masters degree, for instance, has been driven by an entirely predictable trend towards course design geared towards rapid credentialing, and without regard to the maintenance of the integrity or meaning of the qualification. Driven by market pragmatics in the short term, the end result is clearly the decay of the value of the Masters degree. Within this context, it is not difficult to see that rigour, ‘difficulty’ and workload are also likely to be trimmed significantly in order to attract the cynical credentialists that are the primary market in a deregulated context. The widespread practice of ‘rebadging’ undergraduate content as postgraduate courses – sometimes teaching both groups of students in the same classes – is the nadir of integrity. We are witnessing the asset stripping of the Australian Masters degree, all to keep Dr Kemp’s operating grant bill down and to favour his hands-off mismanagement ideology.

This systemic attack on quality is a travesty, and the destruction of the reputation of our university system will be the inevitable result. It is a disservice of the first order to the many students who are up to the job, and to those who have gone before them and

obtained their qualifications under a more rigorous regime, and to those who come after into a system whose credentials are increasingly devalued. Government apologists such as Senator Tierney have accused those of us who protest the attack on quality of being the true wreckers of our universities' reputations. However, it is not those who experience the effects, bring them to public attention and argue for the removal of the causes who are the traitors in the piece. Rather, it is those who would decline to hear the evidence of those who have direct experience, and who would defend the further extension of patently damaging policy directions, who do the greatest disservice to our university system.

A massive government disinvestment may provide the underlying conditions for the degradation of our university system, but what of the Minister's confidence in deregulation and commercialisation as the corrective? I use the term 'deregulation' specifically with respect to the removal of conditions, quota and funding support for student tuition costs, thereby opening the system up to a fully market-based fee regime. (This has been accompanied by a raft of remarkable over-regulatory measures, including an attempt to tie funding to industrial conditions that is presently before the Courts, but I do not address these untenable restrictions here.) Deregulation in this meaning has delivered the results outlined above, and has not been saved by that other great hope of the champion of the enterprise university, commercialisation.

Commercialisation, as applied to public universities, has four distinct meanings. It can refer to the marketing of teaching (or training) to outside parties; the establishment of commercial partnerships for the conduct of research; the unilateral or joint establishment of start-up or spin-off commercial entities; or the behaviour of universities as commercial entities themselves, with students as the customers.

The Council of Australian Postgraduate Associations (CAPA) is not opposed in principle to the presence of commercial activity – either internal or external – in universities. Rather, we are opposed to its indiscriminate, dominating or incautious application, and recognise that problems arise most commonly from the financial dependence upon it. The apologists for the transformation of the independent public university into a factory for the use of industry would have it that all of a university's valid activities can be supported through commercially realised revenue. The implications for disciplines that do not serve the open market are clear, and dire – the economic rationalists have no use for such arenas of activity and therefore are content to see them wither. The fact that these disciplines play a significant role in society – advising government, creating art and artists, conducting basic science research and education, etc. – is apparently of little interest. The prospect of some sub-disciplines being able to pump life-blood into their departments (eg ethicists keeping the rest of philosophy alive by hawking their wares around town) is of little consolation to either the poor academic salesperson (who no longer teaches or researches, but sings for the departmental supper) or those dependent upon her.

Of equal concern, and of significantly greater media interest, is the proliferation of unwise commercial arrangements that compromise or pervert the academic integrity of the university. Restrictions or attacks upon freedom of inquiry, the ability to publish findings, the right to submit work for examination, and the independence of student and

staff organisations have ensued from institutions entering into inappropriate commercial arrangements with ‘benefits’ of dubious value to the university community.

However, the most alarming danger for the future of our education system is the emergence of the retail university, selling education as a commodity to students and their families. The promotion of a deregulatory agenda, accompanied by severe cuts to basic funding, has already wreaked havoc upon Australia’s public universities. This has been done just as everyone agrees that education has never been more important, more central, to our future economic, social and environmental prosperity. The abandonment of this key to our future to the vagaries of the market is nothing less than insane. The market is a dumb beast, possessed of a tactical cunning, but hampered by a profound strategic ignorance.

Professor Alan Gilbert, in his paper delivered to this conference, argues by analogy for a simplistic rejection of the university model as unfit for the needs of the future. He quotes the New Testament’s advice against the use of old wineskins for the storage of new wine, as the fermentation of the liquor is too vigorous for the less supple skins and they burst (resulting in the loss of both skins and wine). Professor Gilbert’s underlying argument is clearly facile – reactionary radicalism is as blind as reactionary conservatism – but it is his unfortunate metaphor that is most revealing. I would contend that the millennium-old structure of the Western university is more like an old wine barrel, nurturer of many vintages of superior wine, that is highly valued for its ability to impart deep, complex and subtle flavours to brash new wine. Not only can this structure benefit the new vintage but it can also handle the vigour of its ferment.

In contrast, while advocating the rejection of academic and collegial values in favour of commercial opportunities, Professor Gilbert has offered us a vision of places of learning as wine casks. It is my proposition that, when you put wine into casks, all you get out is, well, cask wine. There is a place in this world for bulk wine, to be sure, but Professor Gilbert ought not to confuse the business he is in, nor the interests of the owners of the public institution of which he has been entrusted stewardship.

The open market is a weather system. It is usually regarded as a mark of intelligence to establish shelter from the weather, and even more so to try to understand and influence the climate. The Howard Government declines to attempt any sort of management, insisting that a good dousing will do us good. The trouble is, deregulating our education system at the very time its management has become a matter of national urgency is akin to the pilot nipping up the back for a Scotch as the plane comes in to land – during a storm. The story is not going to end well.

The disinvestment in and deregulation of key aspects of our university system has resulted in a reorientation of our universities as retailers of education, as commercial entities in business hustling for a bit of EFTSU. These measures have caused tremendous harm to the performance of our education system, as outlined above.

Postgraduate research education has suffered in line with these changes to other aspects of higher education policy. Dr Kemp’s White Paper declared that the number of higher degree research students should be cut by 14 per cent to 21,500 – the number we will

need for all time, apparently, because this visionary document lacks any mechanism for growth. The exaggerated importance of completions to the funding model will result in a shyness about speculative, risky or innovative research proposals. Students belonging to cohorts reputed to be 'slow', or more likely to stall, will experience an increase in subtle discrimination against them. It is not necessary for such perceptions to be true, or even consciously registered by selection panels, for them to operate. Students are more likely to be rushed through, resulting in a less thorough investigation of topics, and a less rigorous research education. The pressure to pass dissertations – even for students of other institutions, through the reciprocal growth of tolerance for borderline work – is guaranteed under Kemp's funding regime.

The casualisation of academic labour is another serious consequence of the funding crisis. It has hit early career academics much harder than established academics, including senior postgraduate research students constructing an academic teaching portfolio. Given the dearth of resources available to casuals, this results in a loss of availability for student consultation, the absence of job security, the explosion in unpaid work (especially in disciplines where assessment is by essay), and the lack of teaching mentoring or support.

These conditions contribute substantially to an increasingly mediocre undergraduate and postgraduate coursework experience, characterised by overcrowding, inadequate access to academic staff, inadequate resources, inadequate income support, excessive fees, and a rapacious differential HECS system.

The Howard Government's agenda of disinvestment and deregulation is an abject failure. It has manifestly corrupted our university system, and its continuation will be ruinous. At this critical juncture, it amounts to a barbaric act of vandalism upon Australia's future to decline to intervene urgently and decisively.

A shambling education system that is not intelligently managed to favour desired outcomes cannot be internationally competitive, either for our graduates, or as a destination for prospective students. A system that delivers credentials rather than an education is the recipe for economic, social and environmental disaster – and yet that is precisely what we have built in Australia these last five years.

It is not possible for an unregulated market to act in the long term best interests of all sections of the community, and the nation as a whole. I do not blame the market for not taking responsibility for the general health and integrity of our public education system – it is the wrong tool, that's all. Deregulation renders it less possible to deliver to employers what they say they want – graduates with keen generic skills in analysis and critique, and the ability to acquire new skills as a result of finely shaped habits of mind. Industry cannot directly fund this, because it demands short-term highly directional returns on its investment. This is why industry supports narrowly defined technical training while bemoaning the dearth of talented well-educated generalists. Only a regulated policy regime – supported by a progressive tax system that sees industry pay its share through fair company tax rates – can deliver a better educated society rather than a population of semi-trained monkeys.

Almost everyone agrees that universities are underfunded. The difference is that some people think we should accept a paucity of funding from those whom we pay to spend our money. There is another way.

This is to be an education election, according to both Mr Howard and Mr Beazley. It is up to all who care about our public education system – and even our very prosperity – to interest the wider public in these issues, to demand support from our leaders for our universities, their staff and their students. Otherwise, by acquiescing, by accepting these limitations as immutable or inevitable, we will be contributing to the degradation of our higher education system into a pointless collection of irrelevant institutions that will be universities in name only.

So the word from the front line is: things are very bad in our universities, and they're about to get a lot worse, unless we get it right. It is my firm belief that we are already on the brink, and we will only be afforded this one last shot at it. If we don't get it right this time . . . well, it's all over.

I tell you; these things are real.

3. Values and governance in Australian universities

Objectives and governance in universities

Professor Sir Bruce Williams

Universities change, sometimes for the better, sometimes not. The change may be in the objectives or in the means of achieving them. It may be imposed from outside or in response to outside factors, or it may be generated from within. Knowing the reasons for change should help in the formulation of sensible government and university council policies.

Legislation for the first Australian university required the governing body to encourage all classes and denominations of the Queen's faithful subjects to pursue a 'regular and liberal course of education' and to reward those who completed their studies with degrees – Bachelor and Master of Arts, Bachelor and Doctor of Laws, Bachelor and Doctor of Medicine. The declared purpose of this regular and liberal course of education was 'the advancement of religion and morality and the promotion of useful knowledge.' The university was not expected to promote religion and morality. These were the expected consequences of a liberal education. Morality was implied in the scholarly search for truth and its publication was an important consequence. The promotion of useful knowledge was expected of the University and it did so. Of the first 10 professors in the fields of science and technology appointed between 1874 and 1899, six became Fellows of the Royal Society of London.

The first governing body – the Senate – decided that a liberal education consisted of an Arts degree covering classics, mathematics and natural philosophy, and that this Arts degree was to be a condition of entry to the vocational Faculties of Law and Medicine.

That program lasted only 30 years. Both external and internal pressures to change were built up in that time. The external pressures followed very low enrolments, which meant that the university was not fulfilling the statutory objectives to encourage HM's faithful subjects to enrol in the university, nor doing enough to promote useful knowledge. The internal pressure for change came from the Professor of Geology and Mineralogy (and later of Chemistry), who wished to provide greater opportunities for the study of science, and challenged the original concept of liberal education. He was supported by several members of the governing body who had observed the growing role of science and engineering in the UK and USA. The internal pressures for change strengthened after a very large bequest made it possible to appoint professors in medicine and additional professors in science and engineering. Most of the new professors pressed for the elimination of the Arts degree as a condition of entry to the Faculty of Medicine and the new Faculty of Science, and even for much greater specialisation and choice in the Arts degree. During the 1880s the governing body decided to abandon the original *idea* of the University.

Was that a change in objectives or in the means of achieving them? To many who supported the original idea of the university, the original concept of liberal education

had become a key value. But that concept was challenged. The first Professor of Medicine, a graduate of the University of Edinburgh, argued that professional schools could train the mind just as effectively as the traditional concepts of liberal education, and that ‘it is not what is known that makes a man cultured, it is how he knows it, the method by which he approaches knowledge, the attitude of mind to it’. That view, or something like it, was adopted by the governing body. ‘Liberal education’ was not eliminated, but redefined. They could have quoted Cardinal Newman who in his *Idea of a University* (1852) had argued that liberal education was simply the cultivation of excellence in a university considered as a place of learning in which student in their particular subjects breathed a pure and clear atmosphere of thought generated by scholars who, for the sake of intellectual peace, adjusted the claims and relations of their respective subjects of investigation and learned to respect, to consult and to aid each other.¹

More recent changes

In response to the Great Depression of the 1930s and World War II soon after, the Australian Government decided to promote increases in higher education and research to reduce poverty and ill health and to create better citizens. That decision to promote increases in higher education had far reaching effects on the nature of universities.

Because of the sustained post-war boom in the economy the increase in enrolments was greater than originally expected. The boom increased government revenues and household incomes, and made it easier for governments to finance new buildings and equipment, student grants and part of the costs of additional staff and easier for households to increase their children’s years of education.

The established universities grew in size, and even some of the new universities, such as New South Wales and Monash, grew to more than 8,000 students, beyond the size the Martin Committee warned teaching became impersonal and staff-student contacts formal, the faculties ceased to be articulate on academic policy, and academic self-government became ineffective.

Certainly when academic staff exceeded 800 the organisation of universities became more formal and there was less interaction between large departments within and between faculties. When I joined the University of Sydney in 1967 I was surprised by the low percentage of professors who attended Professorial Board meetings or who appeared to take a continuing interest in general university affairs. The great increase in research activities, of which I will speak later, contributed to that detachment from the requirements of effective academic self-government. To me that did not indicate the academic self-government was a lost cause, but that there was a need for changes in academic organisation.

Tuition fees

In 1974 the Whitlam Government assumed responsibility for government grants to universities and abolished tuition fees. That abolition was said to be an egalitarian measure, though it was not. But that concentration of financing in one government

increased the extent to which the governments by-passed the Universities Commission. The Commission complained about that in its 1977-79 Report. The decision of Mr Dawkins 15 years later to create a 'unified national system' against the advice of the Tertiary Education Commission, to further reduce the role of State Government in higher education, was simply an extension of that desire for centralisation.² It increased managerialism in universities.

The decision to centralise financing and to abolish fees came at a very unfortunate time. The great post-war boom ran out of steam in the mid-1970s and that created budgetary problems. Financial grants per student for the faculties became increasingly less adequate, and when from 1985 universities were given permission to charge full-cost fees for overseas students, there was a mad rush to enrol them. Some of the marketing procedures were grubby, and that contributed to suspicions that universities would be very reluctant to fail overseas students. To the extent that such suspicions were well based, universities values changed in an undesirable way.

From 1986, universities were permitted to charge fees for some post-graduate course-work degrees and there was then a rush to increase enrolments of such course work students. That rush generated suspicions that standards of enrolment and examining had slipped, and there was evidence that some previous senior undergraduate courses had been re-badged as fee-paying post-graduate courses.

I was a student, and later a university teacher, when fees were a major source of revenue and universities were very short of funds, and I do not recall any claims that a degree of 'reliance on the market' reduced standards and corrupted university values. I am therefore sceptical of many current claims. Laudable university values did not start with the abolition of fees. In any case the new procedures for quality audits, which I have advocated on other grounds, should be able to identify and check any tendency for a selective reduction in standards.

Enterprise bargaining

Rationalisation measures to justify the 'second tier' four per cent,³ and then enterprise bargaining, increased the financial pressures on universities to make economies and to find more non-government revenues. For while governments were prepared to underwrite the costs of salary increases determined by a government-appointed tribunal before which it gave evidence, they were not prepared to underwrite the costs of an enterprise bargain between university employers and unions. But the universities had not sufficient 'market freedom' to raise the funds needed to cover the costs of these settlements (less the two per cent safety net provision provided by the Government), and universities had to reduce academic staff per student and even abolish some courses of study. That created strong pressures towards 'managerialism', by which I mean the dominance of decisions by vice-chancellors and their staff on academic priorities. The extent of the financial problems may be judged from the increase in the student to staff ratios, 11.7 in 1980, to 15.0 in 1995, and to 18.7 in 2000.

The pressures towards managerialism were increased when for 2000 and 2001 the Minister for Education, Training and Youth Affairs offered an additional 2 per cent of

the notional salaries component of the operating grant to those universities which adopted reforms which satisfied his department and that of the Department of Employment, Work Place Relations and Small Business. These reforms included enterprise agreements that ceased to rely on sector-wide industrial agreements, provided for 'Australian Work Place Agreements' with individuals, the rationalised governance structures by reducing the size of committees and councils (though the size of Councils in State Universities is determined by State legislation), and promoted 'better use of academic staff and physical resources, [which] included the capacity for a trimester year'.

In his book, *Changing Patterns of Finance in Higher Education*,⁴ Professor Gareth Williams wrote that European governments were relinquishing control over the processes of higher education in order to control the product. In Australia the Minister and his department have increased their interest in controlling outputs while maintaining their interest in controlling processes.

Research

The nature of universities has also been changed by the great increases in research since the success of 'Science at War' between 1939 and 1946, and the high post-war growth rates in 'research intensive' sectors of production.

We now couple teaching and research in our statements of university objectives, and in some respects research has jumped ahead of teaching. Research achievement, as measured, is often treated as more important than teaching quality, for which there are no agreed measures, in criteria for appointments and promotions. Along with the greater size of academic departments, research has contributed to a growth in staff specialisation which is often not good for undergraduate education.

Changes in technology have affected research activities in such manner as to make a significant change in both university organisation and university objectives. The first significant change was in the growing dependence of research on scientific equipment, often more and more expensive equipment – for example, optical and radio telescopes, large capacity and high speed computers, very high powered microscopes and synchrotrons. Expensive equipment often calls for many users, sometimes in different universities, and this led to the creation of research centres that cut across specialised department boundaries and recruitment of 'research only' staff. The need for matrix forms of management was an indication of the growing complexity of management to which research activities contributed.

The second change followed research discoveries in some fields which bring scientific research and technological developments much closer together. That has happened in some fields of electronics and bio-science. Universities have become more alert to the opportunities for profitable patents and for collaboration with relevant firms in the business sector on the further development of research results that give promise of profitable innovations. That explains the willingness of universities and business enterprises to work together in Collaborative Research Centres, and possibly later in joint business enterprises. Some university staff regard such joint enterprises as an

undesirable change in the culture of universities; others as undesirable if a universities has shares in a new-technology company over and above those acquired in recognition of their provision of ‘intellectual capital’.

Changes in technology, in this case information and educational technologies, have also made possible new methods of teaching. The use of such technologies has also made it possible to offset in some measure, though not in full measure, reductions in staff to student ratios.

Policy goals

The role of research in university activities and in the formulation of university purposes may well increase in the next 20 years or so. I welcome the increase in the role of research and most of the changes in its organisation and financing, provided:

- funds for self-generated research projects by very able staff are increased;
- methods of identifying good teaching are improved so as to prevent an over-emphasis on research performance in appointments and promotions;
- matrix management arrangements and special project organisations are consistent with sufficient provision of high quality undergraduate teaching; and
- universities contribute only their own financial risk capital to would-be innovations, for risk taking with other funds would lead to justifiable criticism of the project or projects involved which fail, and to undesirable restrictions on the commercial activities of universities.

Presumably large universities are here to stay, although with further expansion in the system new small universities may be established and there could be more complete academic self-government compared to the large universities. But even in large universities there could be a considerable degree of academic self-government if instead of large academic boards there were small general boards of faculties. That interventionist Ministers and their civil servants seldom lose opportunities to condemn academic self-government is not surprising – ‘they would, wouldn’t they?’. Yet it is the academic staff who do the teaching and research and it would be foolish not to make use of their expert knowledge and their collective views on academic developments and priorities. Even in very large universities there is still a considerable degree of academic self government in academic departments, faculties and academic boards, but this is at risk, and needs to be protected, and then extended in times of stability.

In 1936 the governing body of the University of Sydney created what was in effect a two-tier system of government when it devolved responsibility for academic policy onto the Professorial Board. But that two-tier system lacked statutory protection and was lost during the great post-war increases in buildings, staff and students, which called into being much larger and stronger central administration. There could be, and in my view should be, provision in university legislation for academic boards to have power on academic issues or, at least, for the governing body to act on academic issues only on the recommendations of the academic board or general board of faculties.

In his White Paper, *Higher Education*, Mr Dawkins called for stronger managerial modes of operation. That was a logical consequence of the decision to create much larger universities and for profiles which embodied an increase in the share of resources in fields of study of greatest relevance to 'the national goals of industrial development and economic restructuring' to be agreed with the Minister and the Department. During the process of change there was a need for both 'strong' managerial modes of operation' and for widespread consultation with staff. As the required changes were completed, the case for stronger managerial modes of operation diminished.

Mr Dawkins also called for smaller councils which would devolve more on their chief executive officers. He went further and called for university legislation which emphasised the 'trustee aspects' of the responsibility of councils - 'that is, on setting broad directions and policies for the institution, and on the consideration of regular reports and reviews of how well the institution is performing'.⁵

That I think was a good idea, but for State universities it required State legislation. In NSW, councils were given 'the control and management of the affairs and concerns of the Universities' which certainly did not emphasise the 'trustee aspects' of their responsibilities, or recognise the distinction between policy and administration of policy and the vital role of vice-chancellors, or of the role of the academic community apart from provision for the chairs of academic boards to be *ex officio* members of councils.

Further calls from Mr Dawkins were for competent members of council who would be clear about their roles, which was a good idea, and a reduction in the size of governing bodies 'in the range of 10-15 members', which perhaps was not a good idea.

One of the biggest unsolved problems in the governance of universities is how to ensure University Councils of high quality. The NSW Government reduced the size of Councils, which judged from the experience of the University of Sydney, did not add to quality. The quality of councils at the University of Sydney has been less after the 1989 Act than before.

I will stay with Sydney for a time to point to some other problems under the new Act. The numbers of members elected by staff, students and graduates were reduced, though not the four appointed by the minister or the two selected by the State Parliament. That raised the State appointees from 20 per cent to 30 per cent, which was too great an increase. That 30 per cent is much higher than when the NSW Government made substantial financial grants to the universities. The percentage should be reduced to 20 per cent, perhaps best by eliminating the two members of the NSW Parliament. The case for the continued membership of the two MPs is very weak.

How to get graduates and staff to elect members of council to meet Mr Dawkins' criteria is a continuing problem. At the last election of the governing body at Sydney, only two per cent of graduates voted for their five members, and those elected have not always shown an understanding of the need for an emphasis on the 'trustee' aspects of their responsibilities. On the contrary, they have pressed for the Senate to get immersed in management. Perhaps in current conditions that is a fairly certain outcome of the apparent responsibility of the Senate under the Act, but I would like to encourage many

more of the graduates to vote by creating, say, five separate electorates based on types of degree.

Nor have the 30 per cent of academic staff who voted elected members with the quality and attributes proposed by Mr Dawkins. They elected one Dean and three relatively junior members of staff identified with the NTEU.

Another of Mr Dawkins' proposals was that the composition of company boards and directors in the business sector should be used as a guide for governing bodies. Normally company boards have several executive directors, whereas university councils, as judged by the University of Sydney, have only for certain the Vice-Chancellor and the Chair of the Academic Board who is a part-time executive. There was a time when the Vice Chancellor, the Chairman of the Professorial Board and four Deans (originally Deans of the then four Faculties) were members of the governing body. It would help to increase the expertise of the governing body and to reduce the risk of it trying to manage the University, if two Deputy Vice-Chancellors were added to Senate. Recent proposals for a greater involvement by the governing body in the management of the University were very strongly criticised by the Vice-Chancellor, Deputy Vice Chancellors, Pro Vice-Chancellors, Assistant Vice-Chancellor, Director of Financial Services and the Registrar, and they were supported by the Deans and the Association of Professors. The proposals were then withdrawn, but so long as the 1989 Act remains unamended there is a danger that the governing body will try to assert its management rights under the Act.

A universities council

There is currently in the university system a very unsatisfactory mixture of government administrative control and market freedom and pressures. That the financial outcome is unsatisfactory is made obvious by the increase in the student/staff ratio outlined above. The method of financing has also increased managerialism and reduced morale in the universities. As the dependence on government grants has come down, government interference in university objectives and management has gone up, and for the universities that is not a healthy trend.

The case for increasing the market freedom for and the market pressures on universities is now very strong. Fees have been restored in the form of HECS, but the level of charge is set by the Minister and is a device to reduce the cost to the government of what are called 'fully funded student places'. If universities could set fees for domestic students as for overseas students, there would of course need to be means-tested grants and loans, and a political decision on the proportion of the direct cost of higher education to be carried by government, and contributed in the form of capitation and capital grants.

There is now a strong case for an expert Universities Commission – and the case would be stronger if freedom to charge and set fees were restored. Such a commission would publish reports on the finance from fees and government grants required for good quality undergraduate and graduate education; the number of students with good prospects of graduating who might wish to enrol in universities; whether in expensive

specialised courses there were signs of significant surpluses and deficits; and any desirable changes in the current system of making capitation and capital grants.

Governments would not bind themselves to follow the recommendations of an independent expert commission, but they should be required, certainly expected, to explain why they had rejected the advice of such a commission and thus encourage informed public debate.

Objectives and measures

In a general way the objectives of universities now and 150 years ago are not greatly different. The first university was required to encourage all classes and denominations of the Queen's faithful subjects to pursue a regular and liberal course of education leading to first and higher degrees in Arts, Law and Medicine – in the learned professions as it used to be expressed. The range of degrees is now much wider as a reflection of changes in the economic and social systems, but though the objective remained essentially the same, the means of achieving it had to change as universities became larger.

The regular and liberal course of education was meant to promote useful knowledge, and the professors were soon concerned with creating knowledge as well as spreading it. As a result of the consequences of research, the active promotion of useful knowledge now plays a bigger role than in earlier years. That implied a change within the objectives and led on to changes in organisation. It led also to an increase in the number and proportion of graduate students which induced significant changes in the nature of the student community. But these were changes within a given objective, not in the objective itself.

Most of the issues in public policy on education and in the role and forms of government relate to the means of achieving objectives, though often in debate the means assume the nature of ends. In the early years at Sydney, the first concept of liberal education was often treated as an objective and not as a means to an end. In the years after 1974 the abolition of fees is often treated as sacrosanct – as a key value, instead of as a means (and in fact not at all a good means) to promote greater access to higher education. When fees were restored – in the guise of a very well chosen higher education charge – it was used not to increase the resources of universities but to reduce the costs of government grants to universities, despite the rise in student/staff ratios.

When Mr Dawkins introduced the 'unified national system' he did so partly to push the objectives contained within 'the promotion of useful knowledge' towards those areas of research and of teaching 'of greatest relevance to the national goals of industrial development and economic restructuring', and partly to remove the influence of State governments in higher education. When in response to Mr Dawkins' policy State governments changed the legislation governing their universities they did so as a means of profiting from Mr Dawkins' financial proposals to universities. It would extend this paper unduly to provide an adequate analysis of the consequences of these measures. Suffice it to say that there have been significant modifications in Mr Dawkins' original

scheme and that although it will be some time before the full effects of the scheme are known, I do not expect the net result to be a good one.

During the period of the unified national system there has been an attempt by both Labor and Coalition governments to use financial restrictions, marginally funded places, competitive grants schemes, and joint activities with the Department of Employment, Work Place Relations and Small Business to make the universities 'more efficient' without any clear concept of 'more effective'. Costs per student graduation have gone down along with staff morale, and if we use Newman's concept of 'liberal education' as the cultivation of excellence in a context of 'a pure and clear atmosphere of thought generated by scholars', it seems clear that, with some glowing exceptions, universities have moved away from the provision of liberal education.

Endnotes

¹ Newman, John Henry Cardinal 1947, *The idea of a university* Longman Green & Co, New York pp. 89-90.

² As shown in Williams, B. 1989, 'The political economy of higher education reform', in D. Pope and L. Alston (eds) *Australia's Greatest Asset*, The Federation Press.

³ See the Appendix to Dawkins, J. 1988, *Higher Education*, Commonwealth of Australia, Canberra

⁴ Williams, G. 1992. *Changing patterns of finance in higher education* Open University Press, Buckingham.

⁵ Dawkins, J. 1988, *Higher Education*, p. 102.

Modern university governance: A national perspective

Michael Gallagher

This paper outlines a number of factors affecting the changing role and organisation of universities and associated shifts in higher education policy. Against that background some comments are made about expectations of university governance, leadership, management and administration.

There are many and varied definitions of terms in the literature and a good deal of ambiguity. I am using the following working definitions:

Governance is the structure of relationships that bring about organisational coherence, authorise policies, plans and decisions, and account for their probity, responsiveness and cost-effectiveness.

Leadership is seeing opportunities and setting strategic directions, and investing in and drawing on people's capabilities to develop organisational purposes and values.

Management is achieving intended outcomes through the allocation of responsibilities and resources, and monitoring their efficiency and effectiveness

Administration is the implementation of authorised procedures and the application of systems to achieve agreed results.

Observable developments in Australian higher education

Looking back just over a decade we can observe several major shifts in Australian higher education, notably:

- growth in the student body, diversification of student backgrounds and rising expectations of students (most of whom now pay a share of costs);
- more exacting public accountability requirements for universities, including for planning, performance reporting and quality assurance;
- increasing reliance of universities on non-government sources of income, especially through expanding involvement in the business of international education; and
- accelerating application of communications and information technology to teaching, learning, research, student services and administration.

Associated with these major shifts we may also observe several main effects:

- stronger corporate management of universities;
- greater instrumentalism in curricula for workforce skilling of graduates;
- closer research links between universities and industry;
- more aggressive competition and the beginning of increasing differentiation among universities;
- improved productivity (higher student throughput for lower unit costs without apparent diminution of quality);

- increasing threshold capability costs (for infrastructure and expertise) involved in world-class research; and
- changing nature of academic work, including a shift from ‘cottage industry’ to ‘mass production’, specialisation of curriculum design and assessment functions, and rising expectations of output and self-generated earnings.

Looking at emerging trends we can see further shifts ahead:

- Governments are seeking more tangible social and economic returns from science and expecting that universities address social and environmental priorities;
- The domestic market will (over the next two decades short of a major spurt in participation rates and/or boost to immigration) provide only limited demographically driven growth in demand for higher education, mainly confined to a few geographic areas;
- Firms and professional bodies, both within Australia and internationally, are increasingly prepared to make their own arrangements for workforce training and professional development (a substantial part of the lifelong learning market) if they cannot secure suitable provision from universities and colleges;
- The fast-growing global markets are attracting increasing investment interest from across many nations, with new forms of e-education (mainly involving a mix of contact and virtual modes) proliferating through new providers and collaborations among established and new providers, from education and other industries, in globally distributed consortia networks; and
- The new providers have characteristics that challenge the markets of established universities and require them to transform their operations and organisation. Such features are: borderlessness; earner-learner focus; convenience; customisation; modularisation; applied learning; practitioner-teachers; and disaggregation of design, teaching, assessment and student service functions.

Associated with those developments are some implications for public policy:

- The higher education policy framework will need to accommodate the diversification of supply, including boundary blurring across provider types and sectors, beyond its current focus on the social protection of public universities. Extensions to demand-side financing will involve strengthening consumer protection, and prudential and quality assurance regulation;
- A more coherent, whole-of-government policy agenda is increasingly required, involving the Education portfolio more closely networking with other Commonwealth agencies, alongside more integrated inter-governmental cooperation; and
- Arrangements for mutual recognition of higher education qualifications need to be inherently robust in order to protect national interests, including through revisiting bilateral agreements entered into before the onset of e-education; they also need to be renegotiated in the understanding of potent international developments, including the emergence of IT and other qualifications that are recognised outside national frameworks, and opportunities for Australia to access global markets and the reciprocal rights of foreign providers to service domestic markets.

There are also profound implications for universities and the higher education system. On the one hand,

- universities are losing their monopoly over teaching, research and the award of qualifications;
- some traditional vertically integrated, locally focused universities will find it increasingly difficult to compete in the new global era;
- several universities face difficulty sustaining the overhead cost of their current range of domestic course offerings and research aspirations. Some will need to rationalise their provision, by positioning themselves differently and/or collaborating with others; and
- universities with limited capacity to invest in new educational technologies, and with cultural, governance and industrial restrictions on their operating flexibilities, will find the future ever more difficult.

On the other hand, there are exciting new possibilities for universities to renew themselves as dynamic, community-engaged institutions, to focus and build on their distinctive strengths in scholarship, and to develop and offer educational programs that are attuned to student needs, enriched by creative applications of new technology and extended by practical experience in diverse learning settings, thereby

- widening student access and choice;
- improving quality of learning experiences and outcomes for students;
- contributing more effectively to the development of regional communities and to national innovation; and
- strengthening their international links with the scholarly community.

To some extent we are already seeing a more outward-looking approach and service orientation among Australian universities, with some internationally pace-setting innovations in educational design and delivery. This is partly driven by their greater need for self-reliance in respect of revenues, causing them to face the market rather than be too dependent on government alone. The increasing engagement of the universities interestingly gives rise to higher expectations of them and from more diverse interests, as knowledge becomes more integral to social and economic activity.

However, some expressions of this interest are double-edged. On the one hand, engagement of universities with the practical concerns of enterprises and communities has beneficial two-way flows, including for teaching and research. On the other hand, service contracting links costs and benefits to discrete activities that involve some parts of the university more than others, requiring sensitively hard-nosed policies for the internal distribution of resources. Various government bodies too – Commonwealth and State/Territory departments and agencies across several portfolios – are developing specific-purpose relations with universities with tighter conditions attached to their financial contributions, including matched funding and dedicated use of resources, so reducing university discretion. At the same time, new forms of constraint are operating on universities' commercial activities through changes to corporations law and other State/Territory regulations. And some are now pressing for even tighter conditions on

funding, including input controls, greater external directing of IP management strategies and stricter regulation of commercial activities.

Questions of balance arise, both for universities in managing their internal tensions according to their diverse missions and values while adjusting to market realities, and for public policy in maintaining universities as organic institutions while purchasing outputs from them as service providers. In socially valuing the role that universities can play as contributors to national innovation and cultural vitality, prudent policy would give them adequate room to experiment and explore, adapt and diversify while expecting that they will function responsibly and cost-effectively and be publicly accountable for so doing. The *quid pro quo* for allowing universities a high degree of autonomy is that they themselves have the necessary capabilities for professional governance and competent management. If universities cannot themselves initiate and carry through the necessary reforms to their organisation and operations either they will not survive in their current forms or outsiders may make decisions for them through very restrictive service purchase arrangements or administrative prescriptions.

Government expectations

Special accord is given in Australia to universities as institutions. The Commonwealth and States/Territories agreed in 2000 to protect the term ‘university’. They also agreed on a statement of expectations of universities as organisations, as part of a set of national protocols for higher education approval processes. The statement reads:

An Australian university will demonstrate the following features:

- authorisation by law to award higher education qualifications across a range of fields and to set standards for those qualifications which are equivalent to Australian and international standards;
- teaching and learning that engage with advanced knowledge and inquiry;
- a culture of sustained scholarship extending from that which informs inquiry and basic teaching and learning, to the creation of new knowledge through research, and original creative endeavour;
- commitment of teachers, researchers, course designers and assessors to free inquiry and the systematic advancement of knowledge;
- governance, procedural rules, organisation, admission policies, financial arrangements and quality assurance processes, which are underpinned by the value and goals outlined above, and which are sufficient to ensure the integrity of the institution’s academic programmes; and
- sufficient financial and other resources to enable the institution’s programme to be delivered and sustained into the future.

For its part the Commonwealth Government has articulated a statement of higher education purposes. It regards higher education as contributing to the attainment of individual freedom, the advancement of knowledge and social and economic progress. The main purposes of Australian higher education are to:

- inspire and enable individuals to develop their capabilities to the highest potential throughout their lives (for personal growth and fulfilment, for effective participation in the workforce and for constructive contributions to society);
- advance knowledge and understanding;
- aid the application of knowledge and understanding to the benefit of the economy and the society;
- enable individuals to adapt and learn, consistent with the needs of an adaptable knowledge-based economy at local, regional and national levels; and
- enable individuals to contribute to a democratic, civilised society and promote the tolerance and debate that underpins it.

The Government has also articulated its objectives for higher education as being to:

- expand opportunity;
- assure quality;
- improve universities' responsiveness to varying student needs and industry requirements; and
- advance the knowledge base and university contributions to national innovation; and
- ensure public accountability for the cost-effective use of public resources.

University autonomies

In law, universities effectively own themselves and are essentially autonomous. They are able to determine whom to admit as students, whom to employ as staff and the conditions of their employment (subject to relevant industrial legislation and awards), what to teach, how to teach and how to assess learning (subject in several fields to the requirements of professional bodies regarding accreditation of graduates to practise), what research to undertake and how to conduct it (subject to competitively winning funds for major projects from research funding agencies), what to publish and how, when and where to publish research findings (subject to peer assessment). They can normally (subject to State/Territory laws and regulations) invest, divest and borrow in respect of property and commercial ventures. Their assets, whether obtained through private donations, government grants or the proceeds of investment, unless specifically encumbered as to their use purposes, belong to universities and can be used or disposed of, consistent with State and Local government regulations, in accordance with the purposes of the universities and the powers of their councils. In effect, public universities can and do operate commercially; however, the proceeds of their activities must be directed to the public purposes of their establishment.

Legal opinion suggests, on the basis of Courts' interpretations of legislation as 'always speaking' and the recognition of 'incidental power', that the fact that legislation establishes a university means that, by implication, it authorises the carrying out of the functions of a university, including engaging in profit-making ventures in order to be able to carry out its core functions:

A university can do what a university can do. It is ascertaining the boundaries of these activities that is problematical for a university's commercialisation

activities. In the absence of express powers, assistance as to what can be done by implication is to be gauged from the collective experience of universities in Australia. So the fact that universities generally exploit intellectual property generated by their employees can be taken to indicate that this is an activity that falls within the ambit of university activities. The absence of an express power would not therefore prevent a university so acting. But it would be necessary to establish that it was a recognised university activity.¹

Australian universities generally enjoy greater degrees of freedom than their international counterparts in Europe (less so for the UK), North and South America, Africa, the Middle East and Asia. Practice varies across countries but the following features are common to many: universities are obliged to admit students who meet centrally determined criteria; staff are public servants engaged under conditions that universities cannot influence; course offerings and curriculum content are subject to central government approval; assessment is based on central examinations; research is permitted only in designated institutions and publications are subject to government clearance; university budgets are allocated annually on a line-item input basis; universities cannot commit expenditures to projects of more than one year's duration; university assets are owned by the state; and universities cannot invest, borrow or divest without project-specific central approval.

The autonomies of Australian universities underpin academic freedom and international competitiveness.

The extent of university autonomy enjoyed in Australia is occasionally queried on the grounds that universities by their actions are insufficiently responsive and accountable. University autonomy seems presently to be under attack from various quarters whether for being insular and self-indulgent, or insufficiently contributing to community debate on and resolution of social issues, or inappropriately risking public assets, or inadequately responding to industry needs or economic development opportunities.

In defence of autonomy (without being romantic or normative) we need to appreciate the special contribution that universities can make to the intellectual and creative culture of the society, as well as to national and regional economic development, and acknowledge the latitude they need to so contribute in diverse ways. We also need to value plurality in higher education as an ingredient of a functioning democracy while accepting the fact of rapid and unpredictable shifts in the formation of knowledge across disciplinary and institutional boundaries. We are wise to take a long-term view and conceive broadly of humanity and social values to permit intellectual pursuits that may not have apparent application nor be fashionable or comfortable at a particular time, while also enabling speedy application of ideas to develop market opportunities and address social needs.

We should also acknowledge that for the bulk of their business the universities are practically oriented, whether in preparing graduates for entry to professional occupations or in undertaking research and consultancy services relevant to industry and community needs. The ability of universities to operate across the range of these activities is important to functional coherence, operational efficiency through the

internalisation of costs, and risk reduction through the spreading of investments. Hence the sense in taking a whole-of-university approach in state-university relations, focusing on obtaining educational outcomes rather than preoccupation with accounting for inputs. That said, the universities need to be able to explain why they have exercised their discretion in various ways and account for the ways they have used the resources available to them and the results they have achieved. They should also be prepared to provide information that assists the community in appreciating what they are doing, including information about student access, course provision, student success and staff achievements. Community support for universities and their activities is likely to reflect the visibility of their contributions.

Accountability requirements

As a major stakeholder, the Commonwealth has certain interests and responsibilities in ensuring public accountability, at least in respect of the funds it provides to universities (directly and indirectly) and the services it buys from them, and more broadly in sustaining a cost-effective national system of internationally recognised quality, and promoting institutional responsiveness to varying student and community needs.

However, universities have several external stakeholders, including their alumni, employers of their graduates, professional associations and international research collaborators. Not the least important external stakeholders are the State and Territory governments that establish universities by statute, define their purposes and powers, and determine and make appointments to their governing councils. The annual reports of a university are required to be tabled in the legislature that established it and its financial statements of revenues and expenditures, assets and liabilities, including for its controlled entities, are subject to audit by the respective State or Territory.

The Commonwealth obtains copies of the audited financial statements, annual reports and strategic plans of universities. These are analysed by the department and discussed with each university during the annual rounds of institutional profiles discussions. The Commonwealth provides both general-purpose operating grants to universities for teaching and related purposes, and specific-purpose grants for particular projects, including research activities. Performance-based formulae are used for allocating funding for research student places, research infrastructure, equity and Indigenous education support. Universities provide financial acquittals annually to the department.

The Commonwealth also requires, as a legislative condition of operating grant funding, that universities furnish planning documentation according to prescribed formats annually, including:

- a profile of student enrolments for the current year and the next triennium, including commencing and all students in Commonwealth subsidised places by course type; non-overseas fee-paying undergraduate and postgraduate students by course type; research student places; and all students by funding source;
- a capital management plan;
- a quality assurance and improvement plan, including some mandated performance indicators (published annually and made available to the Australian Universities Quality Agency for audit purposes);

- a research and research training management report, including some mandated performance indicators (published annually and subject to audit);
- an equity plan (published annually); and
- an Indigenous education plan.

The claims that universities make about the quality of their teaching, research and administration are subject to external verification by an independent audit agency, the Australian Universities Quality Agency. Additionally, the department publishes comparative university performance information on a regular basis, including information designed to assist student choice. The department also invests in analysis and evaluation of developments, the dissemination of good practices and the development of tools to assist in management improvement (such as costing methodology studies, benchmarks, and surveys of graduate destinations and graduate and employer satisfaction). Australia is regarded within the OECD as a world leader in the regular public provision of higher education information and analysis.

All in all, Australian universities operate within a rigorous and comprehensive public accountability framework balancing their considerable autonomy. This framework extends beyond the publicly financed functions of universities which now represent only around half their activities.

Governance

The establishing Acts provide for a governing body, council, senate or a board to manage and control the university. The governing body is ultimately accountable for the actions of the university. The Hoare Committee in 1995 identified ‘a widespread lack of clarity about the primary roles of the governing body’. That Committee defined the roles of the governing body in what may still be regarded as ‘best practice’ terms:

The governing body exists to oversee the development and adoption of institutional strategic plans and key policies, to monitor and review the institution’s overall performance and to bear ultimate accountability for the institution. Its activities should be principally those of guidance and review, rather than executive management, and its members should recognise their overriding responsibility to bring diverse viewpoints together for the advancement of the institution rather than to represent sectional interests.²

The Hoare Committee drew attention to the need for smaller, more capable councils better supplied with information on which to base decisions and equipped with people having the skills they need to do their job, through improved processes for appointment, induction and training. Modest improvement has been made in several universities since Hoare reported. Yet the roles of councils (except in a few universities) are still not clearly defined. There continues to be a tension between the ‘trustee’ (custodian) role expected of a council member to progress the best interests of the university and the basis on which some members are appointed, and continue predominantly to act, as ‘representative’ (delegate) of internal interest groups. This is a serious matter. In recent years, several vice-chancellors, who endeavoured to make management improvements for the strategic advantage of their universities, have been rolled on the vote of

representative interests of council members. Were these people subject to the normal requirements of company directors they might well now be suffering penalties.

There are also some operational deficiencies. It is not common practice for university strategic plans to be linked with budgets and performance measures, nor for councils to receive regular financial reports. While universities should be able to improve their net operating results from their various business undertakings and demonstrate to their current and potential partners that they have business competence and transparent management practices, not all investments are adequately assessed for costs-benefits and risks nor adequately monitored for their performance.

Scope also exists for management improvement in various areas, notwithstanding the significant advances made over the past decade in the development of policies, procedures and systems, and the gradual professionalisation of central administration, including for commercial activities where performance has been volatile. Admissions are closely controlled in most universities but less so in others, as reflected in high levels of over-enrolment. Student services are efficient and customer-sensitive in some universities but not in others, and most have yet to develop customer management systems. Market analysis is undertaken well in several institutions but not at all in others. There is variability in the efficiency of financial, asset and human resources management. Universities are on the whole lagging well behind other institutions in identifying and collaborating on ways to reduce back office inefficiencies, such as for transaction processing, fleet and property management.

The role of the NTEU as a national gatekeeper in respect of enterprise bargaining, in setting normative salary outcomes (irrespective of institutional capacities) and vetoing agreements of local staff to more flexible organisational arrangements, is a serious restraint of bargaining autonomy and, hence, impediment to institutional responsiveness and diversification. Since enterprise bargaining commenced in the university sector in 1995 very little progress has been made in the critical areas of performance management (such as for dealing with under-performing staff) and operating times (such as a three-session year and weekend classes) despite changes in the characteristics and circumstances of students. Universities risk losing market share if they are unable to match competitors who can offer convenient programs (7days/24 hours is now international practice) customised to suit individual needs (including options to pay for additions to their core requirements) at reasonable prices and comparable quality. Indeed, this is already happening.

The imperative is not for more external regulation and restriction, which would fetter universities, reduce their flexibility and diminish their capacity to deliver the contributions the community needs and for which it affords them special status, but for greater internal coherence and competence.

Endnotes

¹ Phillips Fox Lawyers 2001, *Study of the Regulatory Environment Applying to Universities*, Interim Report to the Joint Committee on Higher Education, June.

² Hoare, D. (chair) 1995, *Higher Education Management Review*, AGPS, Canberra.

Governance: it's time for a new paradigm

Simon Marginson

I begin this paper with two opinions on higher education policy. The first is from a national official with the leading role in quality assurance, and system regulation and reform:

The paradigm of the market and principles from the world of business are seen as the key to the transformation of higher education in the direction of greater responsiveness. Within such a paradigm, a broader notion of social responsiveness has effectively been thinned down and reduced to the terms of economic responsiveness. ... The social, moral, political, intellectual and cultural dimensions of higher education responsiveness are increasingly under siege in planning for the management and renewal of higher education.... The contribution of higher education to the public good within the framework of accountability and responsiveness as well as the need to sustain and support with public funds... have... to be articulated more explicitly and inserted more consciously into policy planning and implementation.

Is the hegemony of the market paradigm inevitable or can a more complex notion of higher education transformation be meaningfully and realistically asserted, given the financial, governance and other crises in ... higher education?¹

No, it is not Michael Gallagher from the Commonwealth Department of Education, Training and Youth Affairs (DETYA). Similar role, different policy paradigm. It is Dr. Mala Singh, Executive Director of the Council of Higher Education in South Africa. Now, see if you can guess the author of the second opinion:

Notwithstanding the methodological difficulties in measuring public benefits, tertiary education produces a whole array of economic and social benefits... caution is warranted to signal the danger of focusing exclusively on the training and skills dimensions of the knowledge economy. Adapting to the changing environment is not only a matter of reshaping tertiary institutions and applying new technologies. It is equally vital to ensure that students are equipped with the core values necessary to live as responsible citizens in complex democratic societies. A meaningful education ... should stimulate all aspects of human intellectual potential. It should uphold the riches of local cultures and values, in support of which time-honoured disciplines like philosophy, literature, arts and social sciences will continue to remain essential ... (T)ertiary education contributes to the promotion of civic behaviours, nation building, and social cohesion ... [and] can also play a crucial role in promoting social mobility. It is important to provide adequate and equitable tertiary education so that the entire citizenry can maximise its participation at all levels, creating new education opportunities for all groups in society, especially the poor.²

No, it is not DETYA, nor David Kemp. Nor is it the Australian Vice-Chancellors Committee (AVCC), or Kim Beazley, or *Knowledge Nation*.³ It is the world's leader of

market reform in higher education – the World Bank. And its words are not tokenistic, a brief gesture to social democracy squeezed between ‘privatise this’ and ‘market that’. The Bank has implemented a major policy shift on higher education, as in many other areas.

In the first half of the 1990s the World Bank’s pronouncements on higher education were abstract and ideological, providing an economic model of a marketised sector – an influential blueprint for neo-liberal reform.⁴ More recent pronouncements sustain the Bank’s earlier commitment to globalisation and to more private funding,⁵ but the market is no longer a meta-objective, to be pursued if necessary at the expense of all other objectives. The Bank focuses on the politics as well as the economics, acknowledges cultural (though not economic) plurality, finds that markets in education have downsides as well as upsides, and highlights the positive role of government and government financing. And when discussing globalisation, the focus is not on opening up national systems to foreign competition. Rather, the Bank argues that national identity and economic capacity are crucial to global effectiveness, emphasising the role of higher education in nation-building.⁶

Global thinking about higher education is changing. The high tide of neo-liberal policy has passed. The policy mainstream is being ‘re-balanced’. Fiscal scarcity continues, but there is a new emphasis on the broad, multiple and lifelong benefits created by universities. The emergence of the global knowledge economy in the last decade has brought higher education into the centre of policy. The bank states that ‘knowledge is the most important factor in economic development’.⁷ This foregrounds national capacity in science and technology and also has important social, cultural and political dimensions.

But such shifts are yet to show themselves in Australia. Australian policy makers have acknowledged the economic potential of science, but not the other dimensions. Additional investments have been modest, failing even to restore recent cutbacks in operating grants.⁸ In contrast, in many other OECD countries, public investment in higher education is again increasing.⁹ As the World Bank paper emphasises, governments will continue to be the main source of financing in most countries, especially in relation to public goods.

Higher education as a ‘public good’

Public goods were first defined by the economist Paul Samuelson in 1954.¹⁰ In the pure form, public goods are ‘non-rival’ – consumption by one person does not impair its value for another – and ‘non-exclusive’ – no-one can be excluded from the benefits of the good. There are few pure public goods, but a larger number of ‘impure public goods’ that have one or both qualities in partial form, or under particular circumstances. These include education. When teaching programs are provided free, they generate both public and private goods. When teaching programs are provided on a fee-paying basis, they again produce public and private goods, but the private element increases while the public element decreases. However, higher education produces one output that is almost a pure public good – knowledge.¹¹ The benefits of knowledge are not exhausted by continuing use, and once a piece of knowledge has been circulated it is freely available to all.¹²

In addition to public goods as defined above, there are other economic ‘externalities’ or ‘spillovers’ which arise when an economic agent takes an action without bearing all the costs or benefits. For example, the education of one person can enhance the productivity and earnings of another. Here the ‘spillover’ is a private not public good, but one that was not captured by the original process of investment in education. An education market will not necessarily finance the ‘spillover’. Pure public goods, impure public goods and externalities all share a common quality: they tend to be under-provided in markets, because individuals and firms cannot capture all of the economic benefits for themselves. Generally, as in this paper, the policy literature now defines all of the goods subject to market failure as ‘public goods’. Public goods are often provided by governments, and are mostly dependant on state financing but non-government organisations, households and spontaneous forms of association also produce public goods.

Up to now there has been practically no Australian discussion of the public goods generated by higher education. But no developed nation remains forever isolated from the global trend. The World Bank position suggests that not only is a different paradigm possible, but sooner or later, we will *have* to change. Otherwise we will be increasingly out of step with the OECD mainstream of the ‘knowledge economy’.¹³

A new framework of governance?

This conference is timely. It is the right time to reassess the governance of ‘The University’ in Australia. The benefits of the 1988 to 1993 reforms which established the Unified National System are exhausted, while the limitations imposed by those reforms are more obvious.

The unified national system (UNS) sought to combine the expansion of participation with the modernisation of management, entrepreneurship and performance economy inside the universities, the pluralisation of funding, and a reduction in the unit fiscal cost of teaching and learning. As in much of the developed world, in Australia this approach chalked up impressive initial achievements in its own terms. There was a near doubling of student numbers, and a new opening up of the universities to public accountability and external engagement. Non-government incomes grew explosively, while public investment in higher education as a proportion of GDP declined from 1.1 per cent in the late 1980s to 0.8 per cent in the late 1990s.¹⁴ Public funding per student in higher education fell from \$8888 in 1994 to \$6826 in 1999 in constant 1989-90 prices.¹⁵ However, in Australia as in many other countries, there has been a price. ‘Do more with less’ is a mantra with a use-by date. Eventually fiscal scarcity kicks in, reducing the quality and relevance of research, teaching and learning.¹⁶

In addition, and as will be discussed in more detail below, Australian universities have experienced a de-stabilisation of basic research – an unhealthy dependence on short-term revenue raising, the skewing of resources in favour of entrepreneurial disciplines, and in most other fields the weakening of disciplinary identity and capacity for initiative. In fee-based courses there are new inequalities in social access, though thanks to the HECS, there is less inequality in Australian undergraduate education than in the marketised systems of other countries. In sum, there has been an under-production of public goods.

Australia's higher education policy paradigm has scarcely changed for more than a decade. To the Dawkins system of competition, mixed funding and modern management, the Howard government added a sharper reduction in public funding per head, and a further extension of marketisation. These changes modified the Dawkins paradigm but did not abolish it. Coupled to this policy paradigm is a distinctive framework of governance, incorporating two elements – a particular relationship between government and university, and internal governance within the university – that together constitute the 'Enterprise University'.¹⁷ The policy paradigm and the governance framework form part of a package. They depend on, reinforce and are necessary to each other. If the policy framework changes in future, the system of governance will need to change also.

In the following section, I examine the elements of the Enterprise University in more detail. I define 'governance' in the broad sense, extending beyond the legal relationships to include the larger set of operating rules, conventions and relationships (in this era, many of them economic) that constitute observable regulatory effects. As the following discussion will show, the governance of the Enterprise University locks in the limitations of the model: the decline in unit quality, the under-production of public goods, the weakening of global capacity.

But first, a disclaimer. I am not wholly critical of the policies and governance of the last decade. There have been some remarkable achievements. The question is not the competence of the Commonwealth and institutions, but the project on which that competence has been expended. The growth of international engagement and opening of the universities to greater external engagement has been positive, though the notions of 'stakeholder' and 'responsive to business' are too narrow to contain the range of private and public goods that universities create. Within universities the modernisation of management, communications and organisation have improved the transparency of processes, resources and outcomes. While it is crucial to re-strengthen the academic cultures that have been undermined in the Enterprise University, traditional academic control over governance is not the only or the best way to achieve this. A return to governance by a self-referencing collegium is neither feasible nor desirable. Academics should perform in externally visible ways – though performance management imposed from above, and standardised across all disciplines, tends to do more harm than good.

Governance in the Enterprise University

There has been little disagreement with the main empirical and analytical findings of the *Enterprise University* study since the book was released nine months ago. The research for the study took place from 1995 to 1998 and covered 17 Australian universities, including most of the larger and older institutions. The book summarised the internal governance and organisational cultures of those universities and drew the connections between the internal governance of universities and external governance (university/government relations). In relation to the internal governance and culture, we found that:

- Universities are now defined by strong forms of executive control, led by dominant vice-chancellors, backed by executive groups which are the primary point of decision-making and authority whether formal or informal;

- Traditional forms of academic governance have lost a good deal of authority, particularly at faculty, school and departmental level. Academic Boards retain some authority in educational matters but are largely side-lined because they lack of resource powers. Their role tends to be negative, a blocking role;
- Non-academic divisions are increasingly run in a business-like fashion. Mission statements, community relations and revenue-raising activities, quality assurance, and the conduct and structure and membership of governing bodies, are increasingly affected by business and consumption models;
- Teaching, learning and research are subject to a ‘dual structure’ of corporate and academic practices, in which much of the teaching and research are dependent on entrepreneurship, ‘soft money’ and temporary organisational structures. Over time the ‘internal market’ and economic measures of academic outcomes have bit deeper, and a frankly commercial spirit (especially in international education and postgraduate vocational element) has become a key element in the enterprise culture;
- Discipline-based organisation is increasingly seen as an obstacle to the executive reorganisation of universities and the redeployment of resources. Despite ever-expanding global agendas, academic cultures are under high pressure. They often find themselves in defensive mode, face difficulty reproducing themselves, and are corroded by commercialism, powered by values other than scholarly ones.¹⁸
- The internal community of Australian universities has been ‘thinned out’ by executive centralisation, the fragmentation of academic governance and the pressure on academic cultures and the official definition of students as consumers which cuts students from the role of partners or co-producers of academic knowledges and institutional cultures.
- In a more difficult external environment, with fewer unit resources, and with the reification of their institutional personalities, universities are less sure of themselves.¹⁹ Development strategies are prone to imitation of market competitors (‘isomorphism’), rather than originality.²⁰

This regime of internal governance typical of the Enterprise University is supported by its external governance. There is an often remarkable technical correspondence between external and internal governance. Government pivots on a strong Minister. Universities turn round a powerful vice-chancellor.²¹ Government has set the national system as a competition between universities, powered by scarcity. Executive leaders play the faculties and divisions against each other, and use scarcity to drive entrepreneurship. Government holds back certain funds, redistributing them on the basis of bidding, so as to secure particular behaviours. Universities leader-managers do the same. Government has established a standard set of cross-disciplinary performance indicators and data requirements. University leader-managers follow suit, often adapting the government-devised formulae. Government has devolved financial management and much of the responsibility for fund-raising down to the universities. Universities pass the buck (or lack of a buck) further down, to their faculties, centres and departments. Government talks up the value of institutional diversity, but administer a single mission and model of university. For university leaders, the disciplines are an obstacle; disciplinary diversity is hemmed in.

From the point of view of neo-liberal government, the great achievement of the Dawkins reforms was to remake the system and its institutions, while devolving much of the future responsibility for resources and quality. Government could rightly state that institutional autonomy had been expanded, in the sense of economic autonomy; while in the newly self-managing universities, the universities found that budgets were freer but identity was not. The old freedom to shape the product, now regulated by government using a variety of mechanisms was largely lost.²² ‘Directive’ rather than ‘facilitative’ policy together with a ‘stronger emphasis on accountability for outcomes’²³ rests on voluntary compliance not bureaucratic direction. While a more subtle form of control, it is equally powerful. Universities that fail to conform to government requirements face income losses in a climate of growing scarcity. In the higher education literature, this kind of governance is called ‘steering from a distance’.

In a neo-liberal era, all politics are anti-statist politics. The combination of university-as-enterprise, action at a distance, and the ideology of the free market, allows government to constantly downplay its own influence. Steering from a distance is premised on higher education as a managed market in which teaching and research are modelled as quasi-commodities, and students as customers. The market model is not complete: undergraduate students pay HECS not fees; governments still fund almost half the costs. Nevertheless, the market model has immense political and cultural effects. At the core of the model is the Enterprise University – a self-determining entrepreneurial institution or quasi-private company without shareholders. Universities ‘own themselves’²⁴ – not only in the legal sense, but in terms of their underlying objectives. The bottom line is not teaching, research, knowledge, the perpetuation of academic values or the public goods created by higher education. In the Enterprise University, the bottom line is the interests of the university – its prestige, its income, its competitiveness – as an end in itself.

Steering from a distance has gone wrong because the underlying premise is flawed. It is based not so much on reason as faith. It is believed that university markets function like the markets in cars, or computers, or tourism, and that the invisible hand of the market delivers all. It is believed that self-interested Enterprise Universities, pursuing their own interests in competition with one another, will generate optimum outcomes from the point of view of policy: maximum growth, efficiency, variety, quality, customer focus, innovation, the right mix of public and private goods and market responsiveness.²⁵ It is believed that a marketised university system, with some full-fee courses, will meet the needs of business, work directly to student clients, and optimise the global capacity of universities. But higher education does not function as the ideal neo-liberal market.²⁶ The operation of market forces in higher education, reinforced by policy moves, has optimised some kinds of product but undermined others.

The externalisation of the university in the Dawkins/ Howard era therefore rests on an internal limitation, which renders it radically incomplete. This is not a shift in the locus of power from the old self-referencing academic cultures (the ‘ivory tower’) to external communities, but a shift from internal academic cultures to internal executive groups. Executive leaders are more competent than traditional academics in relating to the outside world, but to repeat the central point, in this framework of governance, the executive bottom line is *not* community needs, but the prestige and competitiveness of

the institution as an end in itself. From the standpoint of public policy, executive leaders have inherited, rather than transcended, the traditional academic myopia.

In sum, government has sought to ‘externalise’ internally-directed universities by making the university a quasi-market economy, so that the prestige and competitiveness of the university rests on its capacity to perform in external markets. This enables the economic functions of higher education to be addressed directly, on the basis of university autonomy. But it is not viable to use corporate self-interest to drive higher education’s contribution to democratic culture, equality of social opportunity, or cultural diversity and cultural maintenance. Rather than maximising all economic outputs, it maximises short-term utilitarian outputs and private goods but weakens longer term capacity and public goods.

Outcomes of governance and policy

Enterprise Universities are driven to maximise fee-based revenues in international and postgraduate education and to secure competitive advantage by maximising the level of student demand for HECS-based courses. Student demand rests on a complex set of factors, but both government policy and public culture are focused on short-term graduate employment outcomes as the measure of the value of particular institutions and courses. The Commonwealth finances an annual survey of graduate employment and graduate satisfaction with courses, with the data collected only four months after graduation. Recently the government introduced a graduate skills test, reinforcing the message that the primary product of higher education is immediate private benefit in the form of skills for exchange in the labour market. Consequently, these mechanisms render universities hostage to the fluctuations of the labour markets and downplay the effects of knowledge (as opposed to skill-building),²⁷ thereby weakening the ultimate ‘people-forming’ rationale for the academic disciplines. And they negate the basis of public funding, which is to generate those long term private benefits for individuals, and public goods that are undervalued in markets.

In the Enterprise University, teaching and learning are governed by a structure of institutional and academic incentives, operated both from outside and within the university. In this structure of incentives there is a strong link between an institution’s prestige and funding, and the short-term private utilities it generates. There is *no* such link between performance-related funding and the lifelong benefits for graduates, ‘accrue not on graduation but over a lifetime and therefore are difficult to assess at any given point in time’.²⁸ Nor is performance funding linked to the production of public goods by universities. In these circumstances, it is inevitable that universities will tend to under-produce public goods. Universities that have been positioned by government as self-interested enterprises cannot be expected to display altruism by taking on the burdens that government formerly assumed.

The pattern of incentives is played out in the lop-side pattern of development – lop-sided between disciplines, international and domestic students, and coursework higher degrees and research higher degrees. For example:

- Institutions are free to grow their full fee-based enrolments to whatever level they like, but HECS-funded places are restricted. International student numbers are growing by 15 per cent a year while domestic student growth has stalled;
- Between 1995 and 1999, international graduates in Business Studies increased by 139.5 per cent, domestic graduates in Business by 31.7 per cent, and domestic graduates in all other fields combined including Computing, by just 1.5 per cent.
- Because Business Studies and Computing excel in attracting fee-based enrolments they are financially healthier than most others. No-one questions whether we actually need more and more graduates in Marketing and Management each year.²⁹
- Most of the discipline-based courses in the natural sciences and the social sciences/humanities are struggling. Although they could underpin an intellectually strong preparation for Business, this does not fit with the prevailing consumerism and ultra-utilitarianism;
- Between 1990 and 1999 the proportion of international student load located in Engineering and Science fell from 20.1 to 12.0 per cent. The proportion enrolled in research degrees fell from 6.9 to 3.3 per cent.
- Meanwhile the proportion of international student load enrolled in coursework Masters programs rose from 13.6 to 27.3 per cent. Course programs tend to attract weaker students than do research programs. Further, fee-based Masters course have been deregulated: institutions are free to reduce the length and content of Masters, which are often similar to undergraduate courses. Here universities are essentially selling credentials: knowledge and even skills become incidental. It is hard to avoid the conclusion that international education, and higher degrees, are being 'dumbed down'.

In the framework of steering from a distance, these lop-sided patterns do not result from direct policy decisions. Rather, they are the direct and predictable result of the combined workings of governance and the market in higher education. Policy is not directly responsible, but it *is* indirectly responsible. Government and universities avoid responsibility for the lop-sidedness, by explaining it away as the workings of student choice. But student choice is determined by supply as well as demand. In higher education market consumer sovereignty is limited,³⁰ and is generally confined to reading the signs of private utility, so that the pattern of supply helps to shape demand. If governance was changed, or if specific incentives were tweaked differently, then patterns of participation would also change.

At the same time, basic research has been placed under increasing pressure. Disciplinary cultures have been partly destabilised, especially in some universities, and funds have been reduced. Performance indicators and funding incentives specific to research have emphasised research income rather than output, research quantity rather than research quality and saliency, and potentially commercialisable research.³¹

Unfortunately, in this setting of resource shortages, powerful leaders and competitive pressures, academic freedom can be compromised. In a series of recent incidents, academics publicly critical of their university have clashed with executive leaders determined to preserve the university's market position and/or to sustain their own authority. In other incidents universities have sought to suppress particular academic

findings or criticisms in the interests of commercial clients. The partial shift from basic research to applied and commercial research is a shift from academically-controlled research to client-controlled research.

More difficult to codify is the effect of work-loads and ultra-utilitarianism on day-to-day agendas. Nevertheless the capacity of academics to pursue scholarship and research on the basis of curiosity is the *sine qua non* of academic freedom. This is also true of students. Students are both learners-in-formation (and hence people-in-formation), and also people in the process of acquiring credentials and work-related knowledge and skills. Students are both vocational subjects and educational subjects. For students themselves, there is no necessary conflict between these two sets of benefits. Nor should the two aspects be collapsed into one. Few students see themselves *solely* as vocational subjects. But that is where governance and policy are pushing them.

Finally, and fundamentally, policy and governance have together conspired to place severe downward pressures on the unit quality of Australian higher education. Policy has reduced the available resources in most disciplines. Governance has cemented the resource reduction and transferred downwards all responsibility for the consequences. During the 1990s average student-staff ratios rose from 13 to 1, to 18 to 1 with the most rapid decline occurring after 1995. This signifies a massive deterioration in the actual capacity and the potential quality of teaching and research.³²

At first sight there is a paradox here. Institutions have lost public funding, but they have gained private funding. Between 1990 and 1999, total public and private income per student actually *rose* from \$12,412 to \$13,914 (constant 1989-90 prices). Total funding per student did fall by 6.1 per cent between 1995 and 1999, but during that time the student-staff ration deteriorated by 20 per cent. Why has the deterioration in staffing been much worse than the deterioration in total funding? The answer is that the new private income has failed to replace the old public income. The new private income has been used for different things. Rather than underpinning teaching and research, much of the new private income is absorbed by activities such as marketing, off-shore recruitment, internal and external communications and information systems, community and school relations, alumni fund raising, financial and physical asset management, and executive managers themselves. In fee-based courses, it is estimated that more than nine dollars in every ten is ploughed back into the cost of generating the revenues in the first place. Little is left over to supplement public funding per student, now at less than half its mid 1970s level in real terms.

The decline of resources for teaching and research is seen most clearly in the course levels that are the most dependent on public funding and the HECS: undergraduate education, research degrees and basic research. The worst affected disciplines are the non-vocationally specific courses in the natural sciences, social sciences and the humanities, followed by the lower-paid professions in Education and Health – the very disciplines that the World Bank argues are the creators of substantial public goods. Although acknowledging that these areas are particularly dependent on general university funding,³³ the Commonwealth does not provide differential resources so as to subsidise these disciplines in exchange for the public goods they create. It can, therefore, hardly expect the universities to do so.

Meanwhile quality assurance has played a major part in ‘managing’ and containing the fall-out from resource decline, functioning as a primary instrument in the downward transfer of responsibility for quality. Quality assurance is a mechanism for eliminating defects in standard products, such as very bad teaching. But it is not readily deployed to advance excellence, and works against variety. More seriously, whole-of-institution quality assurance fails to produce honest data about the real state of teaching, learning and research in the disciplines which would enable systematic improvement. This is because the downsides are rinsed out for public consumption. Insidiously, quality assurance assumes a promotional function, feeding into claims chorused by every institution that matters are continuously improving and that they are the best at what they do. This feeds a dangerous complacency that long postponed public recognition of the funding problem. Most vice-chancellors have found it easier to say that quality *will* decline if matters go on, rather than quality *has* declined. When both individual universities and DETYA have a vested interest in the denial of core facts, a proper national policy conversation is impossible. It is only now, led by the Vice-Chancellor of ANU Ian Chubb, that university leaders are starting to put the facts on the table.

The constraints on capacity and the downward pressures on quality have negative implications for the longer-term global position of Australian universities. Although since the late 1980s Australian universities have shown a great facility for enterprise, and have secured large growth in commercial international education, it is growth of a particular kind, focusing on a limited range of courses and away from research-based degrees. It draws largely on a middle class Chinese diaspora from Hong Kong, Malaysia, Singapore, Taiwan and Indonesia. It has been built by aggressive marketing, geographical proximity to Asia, and a weak Australian dollar and the consequent price advantage. These last two factors make Australia an effective competitor *vis a vis* the USA and the UK, in relation to high-volume medium-quality Business courses. The international program has built the competence of Australian universities in Asia, in off-shore delivery and in building partnerships and consortia. Nevertheless, the favourable commercial conditions may not last and they do not translate into a strong global position overall.

Long-term global capacity rests partly on international awareness and outreach, and competence in communications. Here the Enterprise University has done well, though we are still handicapped by monoculturalism. Long-term global capacity also rests on having a reputation for high quality in both research and teaching, exercising leadership in a broad range of fields of research, and making a distinctive global contribution – doing something that Australian universities do better than anyone else. Here the Enterprise University has probably done more harm than good. Quality, basic research and identity have all been compromised.

In the words of the World Bank, national systems need a long-term vision for development, based on ‘global vision and strategy’.³⁴ Doing American Business education cheaper than America is not much of a vision.

Beyond the Enterprise University

The overall outcome of the system of policy and governance that constitutes the Enterprise University is this:

- a part transfer of activity from public goods to vocationally-oriented short-term private goods, whose value is partly absorbed by hyper-marketing and credentialism;
- the under-provision of national public goods, the nation-building function;
- the under-provision of global public goods, including knowledge, and foreign aid in international education;³⁵
- a decline in the quality of public and private goods across the board, due to deteriorating conditions for learning and research;
- a ceiling on domestic system capacity, which has stopped growing;
- the undermining of Australia's global capacity in higher education, especially in the longer term, despite the success in the commercial markets.

The effects of under-production of public goods and long-term private goods tend to accumulate. The Australian higher education infrastructure built up in the 1960-1985 period, which still underpins our reputation in research and teaching, has been substantially eroded. A future government will need to find a way back to the production of public goods and long-term private goods. In this context, it would be unrealistic to rely on executive-led university self-interest as the primary medium for achieving change. Rather, policy and governance will need to be reformed. For example government will need to introduce mechanisms that encourage universities to strengthen academic cultures and provide institutions with incentives for altruistic behaviours, including investment in their own long term capacity in basic research. It will need to target funding to certain public goods, for example the maintenance and strengthening of the non-commercial disciplines and the subsidisation of research scholarships in the international program, in order to correct the skew in favour of the production of short-term private benefits in vocational courses.

A new intermediary body located between the government and the institutions might assist in strengthening academic cultures and identities, re-grounding university manager-leaders at home. Such an intermediary body could also be used to reduce standardisation, by encouraging greater diversity of mission (even though in theory it ought to be possible for DETYA to do this). Above all, a new intermediary body, independent of the universities and at arms length from government, could provide a more trenchant analysis of the problems of the system. It would have less obligation to market and defend the individual universities, the national system, or the policies of the Minister and Cabinet.

Within the universities, the most difficult challenge is to develop modes of academic organisation which strengthen independent disciplinary cultures and cross-disciplinary activities but *without* again grounding academic authority in collegial governance. To return to professorial governance, or even to the more democratic collegiality of the new universities of the 1960s and 1970s, would be to step away from external responsibility, to return to a form of governance in which younger people, students, general staff and

the external community were largely excluded. Academics need more time, better resources and greater scope to develop programs of teaching and research. A culture of continuous academic meetings is not conducive to academic outcomes, or administrative efficiency.

I do not have a new set of mechanisms of governance in my kit-bag. But the imperatives are plain enough. Render unto the Vice-Chancellor the things that belong to the Vice-Chancellor, render unto the discipline the things that are hers, and change the balance between them. The disciplines must be safeguarded and advanced, and the capacity for the exercise of independent academic judgement must be strengthened. This includes resource capacity, which for too long has been deployed as an instrument of tyranny rather than a condition of existence. Managers must continue to manage, while the scope of leader-managers to intervene carelessly in the disciplines needs to be reduced. The university must start to draw its identity more from its teaching and research programs, less from universalist institutional marketing. Correspondingly, good manager-leaders should stitch the university together using vision and consensus, rather than executive dominance. In the universities that are closest to having it right, the parts are not contained in the whole. The parts and the whole sit alongside each other. In these universities there are strong faculties, open, external and global in temper; and management is not the be-all-and-end-all but a specialised skill like any other.

Endnotes

- ¹ Singh, M., 2001, *Re-inserting the 'public good' into higher education transformation*, conference paper Globalisation and Higher Education: Views from the South, S. African Council on Higher Education, p. 6.
- ² World Bank, 2001, *Constructing knowledge societies: new challenges for tertiary institutions, Volume II*, draft paper, Education Group: Human Development Network, pp. 18, 41.
- ³ Australian Labor Party (ALP), 2001 *An agenda for the knowledge nation: report of the knowledge nation taskforce* Chifley Research Centre, Canberra.
- ⁴ See for example, World Bank, 1994, *Higher education: the lessons of experience* World Bank, Washington.
- ⁵ *ibid*
- ⁶ *ibid*, p. 42.
- ⁷ *ibid*, p. 5.
- ⁸ Howard, J., 2001, *Backing Australia's ability: an innovation action plan for the future* Commonwealth of Australia, Canberra.
- ⁹ Organisation for Economic Cooperation and Development (OECD), 1999, *The knowledge-based economy: a set of facts and figures* OECD, Paris.
- ¹⁰ Samuelson, P., 1954, 'The pure theory of public expenditure' *Review of Economics and Statistics* Vol. 36, No. 4, pp. 387-389.
- ¹¹ Stiglitz, J., 1999, 'Knowledge as a global public good', in I. Kaul, I. Grunberg and M. Stern (eds.) *Global public goods: international cooperation in the 21st century* Oxford University Press, New York, pp. 308-325.
- ¹² It is possible to use intellectual property arrangements to restrict the initial circulation of knowledge, creating a private good that confers 'first mover' advantage on those who control it. Once the knowledge as such circulates it loses its private good character, though particular artefacts that contain that knowledge can still be restricted by the law of Copyright.
- ¹³ Considine, M., Marginson, S. and Sheehan, P. 2001, *Australia's comparative performance as a knowledge nation* Chifley Research Centre, Canberra.
- ¹⁴ Marginson, S. 2001, 'Trends in the funding of Australian higher education' *Australian Economic Review* Vol. 34, No. 2, pp. 205-215.
- ¹⁵ Department of Education, Training and Youth Affairs (DETYA), 2001, *Statistical collections on higher education*, DETYA, Canberra.

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- ¹⁶ World Bank, 2001, *Constructing knowledge societies, Volume I*, p. 8.
- ¹⁷ Marginson, S. and Considine, M. 2000, *The enterprise university: power, governance and reinvention in Australia* Cambridge University Press, Cambridge.
- ¹⁸ As noted by Shen Hong in a paper on similar pressures in Chinese universities: ‘the stronger the market force is, the less is the sense of academic duty’. Shen Hong, 2000 ‘Academic freedom and academic duty in Chinese universities’, in IMHE/ OECD *Current issues in Chinese higher education*, OECD, Paris, p. 31.
- ¹⁹ For example, one paradox of the new openness to outside funding and capacity for enterprise is a process of closure, whereby formerly diverse institutions are powered by a single model of the comprehensive global university and the capacity for initiative, increasingly centred on the small cohort of executive leaders, is directed towards a restricted menu of commercial options and strategies.
- ²⁰ Though DETYA claims that diversity between institutions has increased (see Gallagher, M., 2000, *The emergence of entrepreneurial public universities in Australia* paper presented at the IMHE General Conference of the OECD, Paris, p. 52) the Enterprise University study found that the opposite was true.
- ²¹ In the reception of *The Enterprise University* its statements about executive leadership drew the most attention. The finding that universities had been remodeled as a performance economy drew less comment – pointing to the ‘taken-for-grantedness’ of market and business metaphors, despite their limitations in practice.
- ²² Such as profile negotiations, requirements for mission statements, management plans and quality assurance, standardised data collections, the research quantum and other output and performance measures, targeted funds and the rules for competitive bidding, and the conditions governing research degree funded load.
- ²³ Gallagher M., 2000 *The emergence of entrepreneurial public universities in Australia*, p.49.
- ²⁴ *ibid.*, pp. 2-3.
- ²⁵ *ibid.*, p. 3.
- ²⁶ Karmel, P., 2001 *Public policy and higher education* the 48th Joseph Fisher Lecture, Adelaide University School of Economics, Adelaide; Marginson, S., 1997 *Markets in education*, Allen and Unwin, Sydney.
- ²⁷ Gallagher obliquely acknowledges the limitations of the focus on skills, pointing with approval to UK policy makers’ use of the term ‘attributes’ which broadens the notion of ‘graduateness’ to ‘knowledge, understanding, dispositions, attitudes and values, as well as skills’ (see Gallagher, 2000, p. 27). The focus on skills is often justified with the argument that knowledge turns over at a decreasing interval. But this assumes that skills are timeless and universal while knowledge is not; neglects the fact in which skills are only acquired in the context of knowledges; and neglects the lifelong formative effects of knowledges.
- ²⁸ Karmel, P., 2001 *Public policy and higher education*, p. 10.
- ²⁹ Within Business Studies there is a strong trend towards generic courses in Management and Marketing and away from Economics, the most rigorous Business discipline, powered by the consumerist model in which the popularity of courses is determined by their ease of acquisition and their apparent vocational utility. Note that the mushrooming of (allegedly) poor quality Business courses, mostly driven by revenue-raising, is an issue in the United States. There, however, students study Business on the base of a general education in other disciplines and ‘the more elite and selective business schools avoid undergraduate education’, Calhoun, C., 2000, ‘The specificity of American higher education’ *Comparative Social Research*, Vol. 19, pp. 56.
- ³⁰ Karmel, P., 2001 *Public policy and higher education*, p. 19. For this and other reasons according to Karmel, ‘the optimum properties of competitive markets cannot be expected to hold in the market for educational services’ p. 19.
- ³¹ Karmel (*ibid.* p. 9) suggests that the commercialisation of university activities, especially research, not only carries high risks, but may distract from the universities’ core business of teaching and research.
- ³² Karmel, P. *ibid.*, p. 6.
- ³³ See the argument in Gallagher M., 2000 *The emergence of entrepreneurial public universities*, p. 34.
- ³⁴ World Bank, 2001, *Constructing knowledge societies, Volume I*, pp. 12, 14.
- ³⁵ Kaul, I., Grunberg, I. and Stern, M., 1999, *Global public goods: international cooperation in the 21st century* Oxford University Press, New York; Marginson, S., 2001b *Knowledge economy and knowledge culture* paper to the National Scholarly Communications Forum, Canberra.

The way forward: restructuring the university in Australia

Simon Kent

The capacity of public universities to maintain high quality, accessible education and research is being compromised by inadequate resource levels and government policies which are leading to market-oriented systems of governance and behaviour. Funding, or the lack of it, is the inescapable issue requiring attention in the Australian higher education system. Governance, and the pressures being applied through a lack of funding, is in urgent need of reform to reassert the public accountability of our universities.

The funding choice for government

A stark choice confronts government – *either* deregulate the provision of higher education and allow market forces to determine the quality and nature of future provision; *or* substantially increase investment in public universities and develop a new policy framework to ensure quality and accountability which takes account of the changing needs of Australia in a globalised environment.

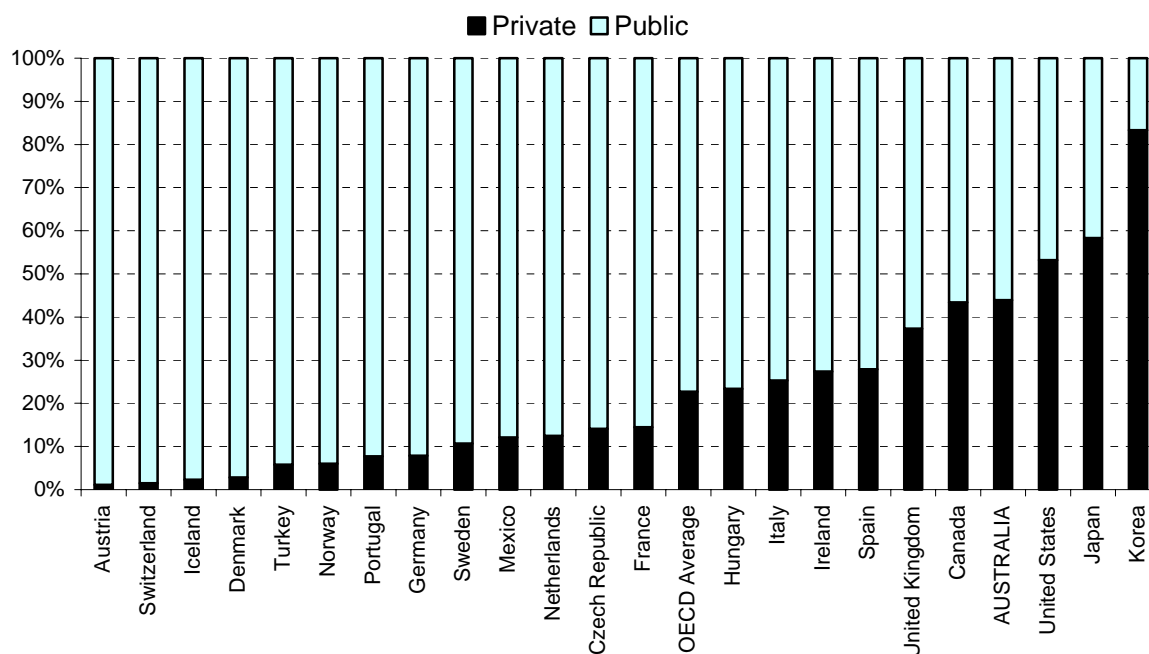
The National Tertiary Education Union (NTEU) strongly advocates the latter path. There is no real choice: put simply, the social and economic costs of further deregulation are too great. We believe that public provision of higher education has reached, and even exceeded, the limits of deregulation. To deregulate the activities of public universities further – particularly in relation to fee-paying and other forms of corporate activity – would be to destroy their identity as broadly accountable institutions serving the public good, and would reduce access to higher education in an era when an educated population is the key to national prosperity. A recent Australian study estimates that in 2010, four in every ten new jobs created in a ‘knowledge economy’ will require a university degree or its equivalent. Presently, only 15 per cent of Australians have a university degree.¹

International evidence supports the case that it is not a lack of private funding which is causing the funding shortfall in our universities. Figure 1 shows that Australia’s higher education system is already the fourth most heavily reliant on private income in the Organisation for Economic Co-operation and Development (OECD), behind only Korea, Japan and the USA. Since this data was collected in 1998, the dependence of Australian higher education on private funding has exceeded 50 per cent.

The social costs of deregulation are already significant. This is best exemplified in the postgraduate coursework sector which is the most deregulated part of our present system. Postgraduate coursework bore the brunt of reductions in Commonwealth operating grants between 1997 and 2000. After the cuts were announced, the Government directed universities to implement the resultant reductions in student places in the area of postgraduate coursework, where fee-charging was already largely deregulated, rather than in undergraduate places. As a direct result of this policy there has been a dramatic shift in the proportion of postgraduate coursework students who pay their fees up front (See Figure 2). In 1996, 77 per cent of postgraduate coursework

students deferred their fees through HECS, but by 2000 this had dropped to just 38 per cent, with the remaining 62 per cent forced to pay up-front fees.

Figure 1: Source of funds to tertiary education in the OECD, 1998²



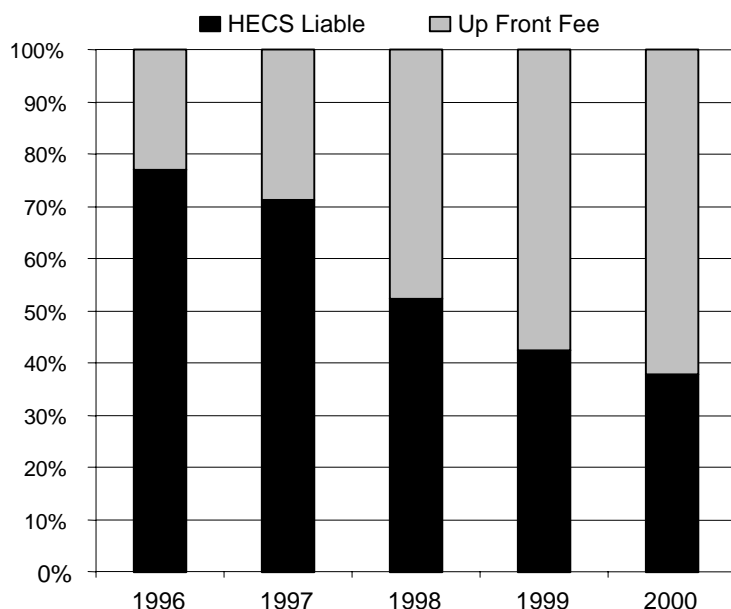
This policy is impeding the capacity of our universities to produce sufficient numbers of qualified students to meet industry needs, insofar as opportunities to undertake postgraduate coursework have reduced. Between 1996 and 2000, there was a drop of over 10,000 EFTSU, or 19 per cent, in total postgraduate coursework enrolments. This has resulted in declines in enrolments across all but a few fields of study.³ This has a direct impact on the production of skilled graduates, particularly in areas of study where graduates are not highly paid and where there is little opportunity for employer support, such as teaching and health sciences.

The fall in participation in each of these fields of study (by 25 per cent and 2 per cent respectively between 1996 and 1999) at a time when Australia is experiencing a shortage of both nurses and teachers underlines the seriousness of this problem. It also suggests that, if this policy framework remains unchanged, in the future Australians will have limited access to the lifelong learning which is so important in a 'Knowledge Economy'.

There should be no illusions that the impact of deregulation on cost and access is peculiar to the postgraduate coursework sector. If policies such as those proposed in Dr Kemp's leaked cabinet submission of October 1999 were implemented, we could expect similar increases in the cost burden for students and their families. Professor Lauchlan Chipman, a noted advocate of further deregulation, candidly assessed the package thus:

While there would be winners and losers in a financial sense among students in such a change, it is true that the majority of students would almost certainly be more out of pocket.⁴

Figure 2: Method of fee payment for postgraduate coursework students, 1996-2000⁵



Finally there is an often unacknowledged economic cost in further deregulation, with a significant investment of public funds required to underwrite the process. Dr Kemp's cabinet submission required an additional \$1.88 billion over 4 years from 2000-01 to 2003-04, when it peaked at \$798 million per annum,⁶ to finance the loans necessary to introduce a system of such widespread and uncapped tuition fees. This leads to the inescapable conclusion that an increase in public investment is unavoidable – either through direct investment or deregulation – if the system is to be revived.

If the social and economic costs of further deregulation are too high, the Government is left with the options of either substantially increasing public investment or letting our universities wither. This has led both the NTEU and Australian Vice-Chancellors' Committee (AVCC) to call for a 20 per cent increase in public funding in the lead-up to this year's federal election. This is what is required simply to return the system to 1996 levels of public funding as a result of the increases in higher education cost structures over the past five years. Michael Gallagher, First Assistant Secretary of the Higher Education Division of DETYA, estimates that the gap between operating grant indexation and actual salary outcomes has risen to around 15 per cent over the last five years.⁷ When the effects of a declining Australian dollar are factored into the cost structure of universities (which spend heavily on foreign-sourced items such as books, journals and laboratory equipment), the unfunded shift in the cost structure of universities is at least 20 per cent.

Prior to 1994, salary increases were negotiated centrally and funded by the Federal Government. In 1994, enterprise-based salary bargaining was introduced, which meant that salaries and conditions at all universities were negotiated locally, on a base of Awards set by the Australian Industrial Relations Commission. Government funding for salary increases was forthcoming in the first round of enterprise bargaining (1994-96), although the Government provided only 2.9 per cent for a 4.9 per cent salary increase in this first round. Upon its election in 1996, however, the Coalition made clear that it would not support future funding for salary increases in excess of the Cost Adjustment Factor (CAF) (which determines the annual indexation of operating grants, primarily by reference to the Safety Net Adjustment awarded to the lowest paid). The Government has also made clear its expectation that each university find additional income from other sources to support local salary bargaining.

The sector has now experienced two further rounds of enterprise bargaining, without supplementation beyond the CAF. Since 1995 the average sectoral wages outcome has been just over 4 per cent (approximately \$200m) each year. By contrast, CAF has resulted in the indexation of operating grants by an average of 1.65 per cent per annum (around \$80m per annum). The notional proportion allocated to salaries is around \$50m. Therefore, unfunded enterprise bargaining in Australian universities to date has resulted in a \$150m per annum funding shortfall in the costs of salary increases alone. These figures support Gallagher's estimate quoted above.

As staffing remains the single biggest item of expenditure within universities (consuming around 60 per cent of total operating income in 1998), unfunded enterprise bargaining is dangerously compounding the problem created by inadequate resource levels. Without a significant increase in public investment and a structural solution to the funding of salaries, Australia will condemn itself to an under-resourced and inequitable university system.

Revenue measures

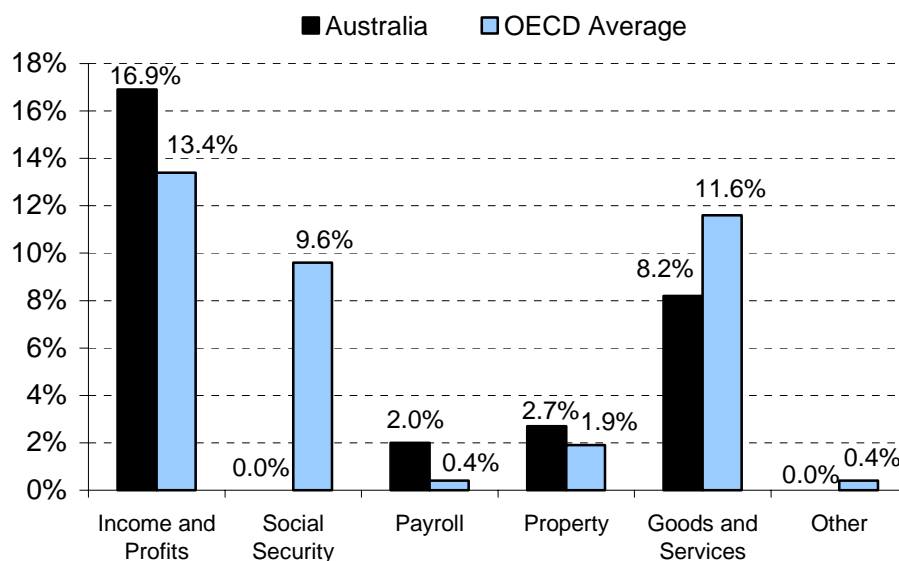
All calls for increased expenditure must be viewed within the political reality that the Government has run down the surplus (which was created by cutting public sector investment, notably universities) through regressively targeted cuts to income tax and pre-election largesse. In this context there is a strong case to be made for addressing potential revenue measures.

Contrary to much popular comment, Australia is irrefutably a low-taxing and low-spending nation. Australia has been amongst the lowest taxing nations in the OECD for many years and has steadily fallen further behind the OECD average collection of tax relative to Gross Domestic Product (GDP). Australian ranked 24th of 29 reporting OECD nations in terms of tax as a proportion of GDP in 1998.⁸ Notably, of the five nations collecting less tax, three – Korea, Japan and the USA – are the only countries with a university system more heavily dependent on private income (see Figure 1, above). The scale of the revenue shortfall is highlighted by the fact that if Australia increased its tax collection to the OECD average it would deliver an additional \$50 billion per annum in public revenue. The failure to make any progress towards this

standard is severely compromising the quantity and quality of essential services available to the community.

Figure 3 provides an overview of the various sources of tax revenue in Australia and the OECD. The absence of hypothecated taxes or levies to fund social security contributes to Australia's status as a low taxing nation.

Figure 3: Tax Revenue by source as a percentage of GDP in the OECD, 1997⁹



Received political wisdom seems to suggest that any hint of raising taxes is political suicide. The most recent Australian study on the issue found that the issue is not so clear cut, with those favouring an increase in tax outnumbering those wanting cuts 30.0 per cent to 27.4 per cent.¹⁰

A more compelling argument against the political saleability of tax increases is the widespread mistrust of politicians and the political process, leading to a concern that increased taxes will not result in improved public services. This is partially borne out in a poll on tax conducted around the time of the 1996 Federal Budget which cut deeply into university funding. The results showed almost 2 to 1 support for the proposal to increase personal taxation in preference to cutting social services such as higher education, health and welfare.¹¹ Importantly, the question included a direct increase in taxation for the respondents.

The current absence of hypothecated taxes and levies targeted to specific purposes and voter cynicism about the efficacy of the political process in apportioning resources point to the potential for reform. The success of such a strategy is evident in the significant public support for the Medicare levy, as a result of the direct relationship between the tax collected and the provision of essential public services. Government activities most conducive to hypothecated levies include:

- education
- health
- social insurance
- childcare
- infrastructure debt servicing

The co-ordinated introduction of dedicated levies would require repackaging and redesigning the income tax scales, in effect, largely designating existing revenue to targeted expenditure. This has implications for activities which are funded by more than one level of government, including education and health. The ongoing consultation necessary in the distribution of GST revenue to the States and a possible reappraisal of responsibilities and funding of services between the Commonwealth and the States provides an opportunity to examine the introduction of hypothecated levies.

The long-term consequences of such a reform package would be to make cuts to taxation more difficult by forcing government to link it directly to cuts in services. Conversely it is likely to make it easier to gain public support for increases in taxation by tying them to direct increases in services.

However, the increasing use of hypothecated levies need not be introduced in such a sweeping manner. For example, an education levy could be introduced based on the existing Medicare model. Alternatively, a less inclusive approach would be to introduce a levy on higher education graduates which would replace HECS. Equity could be increased by setting the repayment threshold significantly higher and the annual payment levels lower than the existing system, however payments would continue so long as a graduate's income exceeded the threshold. This would much more effectively target those graduates who gain significant financial benefit from their education than the current system which attributes an expected private benefit based on field of study.

Governance reform

Higher education governance is in desperate need of reform due to the incongruity of existing practices with increasingly commercial activity. Increased public funding would likely produce immediate improvements by reducing the managerial pressure to privatise or perish. Removing the climate of fear and crisis which perpetually drives institutional reform in the current state of underfunding would reduce the pressure on existing processes.

However, increased funding alone is insufficient to deal with the problems of contemporary university governance. The process of corporatisation which has taken place over the last ten years demands a modernising response from governments to ensure that accountability mechanisms are sufficiently robust to deal with the increased prevalence of commercial operations.

The time is overdue to reassert the need for public accountability of universities. This process could begin with three specific legislative changes to the *Higher Education Funding Act* or State institutional acts as follows:

1. the legislative guarantee of intellectual freedom for all staff and students and the inclusion of a specific mission for universities to act as 'critic and conscience' of society. The latter aspect of this proposal is already in place in New Zealand university acts.
2. the introduction of clear and consistent reporting of financial matters through audited financial statements and budgeting processes that are technically consistent with the audit. A review of auditing requirements for universities' commercial arms and development of guidelines to ensure that decisions about the commercialisation of public assets are made in the best interests of the public university.
3. the introduction of a higher education sectoral ombudsman to deal with complaints against universities by students and staff without fear of reprisal. This could deal with the type of issues raised by the Australia Institute in its report earlier this year.¹²

While these changes to legislation would not completely counter the malaise which has engulfed our universities, they would reverse the existing trend and create an environment in which other more nuanced concerns could be addressed.

Whereas piecemeal policies offer limited hope, an integrated strategy which addresses funding, equity and governance is necessary to arrest the decline in the confidence and capabilities of our universities. Any political party worthy of forming government after this year's election must put such a strategy before the electorate.

Endnotes

- ¹ ALP, *Workforce 2010: Securing your Future – A guide to the jobs of the future and the skills you will need to get them*, 2000.
- ² OECD 2001, *Education at a Glance*, Paris p. 94 Table B3.2.
- ³ Smith B. and Frankland, M. 2000, 'Marketisation and the new quality agenda: postgraduate coursework at the crossroads', *Australian Universities' Review*, Vol. 43, No. 2, pp. 7-16.
- ⁴ Professor Lauchlan Chipman, 2000 'More Scholar for the Dollar', *Quadrant*, January- February, p. 15.
- ⁵ DETYA, cited in Smith B. and Frankland, M., 2000 'Marketisation and the new quality agenda', p. 8.
- ⁶ Cabinet Submission 1999, *Proposals for Reform in Higher Education*, October. p. 7.
- ⁷ Gallagher M. 2000, *The Emergence of Entrepreneurial Public Universities in Australia*, Paper presented at the IMHE General Conference of the OECD, Paris, September.
- ⁸ OECD *Revenue Statistics 1965-98*, Paris. p. 67, Table 3 . Table 39, p. 120, also shows that whilst on average, OECD countries are collecting around 37% of their GDP through taxation, Australia collects only around 29% of its GDP through tax, and this gap is widening.
- ⁹ OECD *Revenue Statistics 1965-98*, p. 70, Table 6.
- ¹⁰ Withers, G. and Edwards L. 2001, 'The budget, the election and the voter', *Australian Social Monitor*, Melbourne Institute of Applied Economic and Social Research, Vol. 4, No. 1, p. 13.
- ¹¹ AGB McNair poll, *The Age*, 13/8/96, p. 1 & p. 6. The question put was 'Would you personally support some increases in personal taxation, if this meant that spending on programs such as higher education, health and welfare did not have to face big cuts?' with 60% agreeing and 33% disagreeing.
- ¹² Kayrooz, C., Kinneer, P., Preston, P. 2001, *Academic Freedom and Commercialisation of Australian Universities: Perceptions and experiences of social scientists*, , Discussion Paper No. 37 The Australia Institute, Canberra.



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