

Examining the National University Corporation Plan and University Reform in Japan:

Lessons from Higher Education Reform in New Zealand**

Shaun Goldfinch*

The release of the National University Corporation model in the ‘Toyama Plan’ in June 11 2001, and of the subsequent A New Image of National University Corporations of March 2002, signal an era of radical change in the Japanese national university system. If the reforms advocated are indeed implemented as seems likely, the national universities will ostensibly gain greater managerial autonomy and become independent corporations; greater decision making power will shift to the central administration, with presidents becoming somewhat equivalent to private sector chief executives; ‘private management practices’ will be adopted; and outside members will be involved in management decisions. Staff of public universities will cease to be civil servants. The universities will be required to develop their own staffing, management and financial practices. The current decision making power of the faculties will be considerably curtailed. There may be pressure for closure of some institutions as student numbers fall – there have already been amalgamations with more expected – and there could be some privatisation of organisations. Funding is likely to be increasingly based on the ‘quality’ of universities as established through evaluations by the soon-to-be-independent National Institute for Academic Degrees and a newly-established National University Evaluation Committee within MEXT, although the exact content of these evaluations and their impact still remains somewhat unclear. Competition between providers is also likely to become a greater part of funding, although there have been considerable moves in this direction already.

While unique in some aspects, the National University Corporation (NUC) model, and the Independent Administrative Institutes model which it develops and extends, share characteristics with reforms in other countries. Often labelled ‘managerialism’ or New Public Management (NPM), such reforms have been promulgated by the OECD and by central governments in a number of countries, both within their university systems and across the wider public sector. New Public Management is a term applied to the host of

* Center for National University Finance and Department of Political Science, University of Canterbury, Private Bag 400, Christchurch, New Zealand, e-mail: shaun.goldfinch@canterbury.ac.nz

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writings and actions that seek to apply (assumed) and often idolised private sector management practices in the public sector. NPM sees management as a generic skill or technique that can be applied across all sectors, public and private, with great faith placed in the ability of managers to solve ‘problems’ – indeed, many problems are perceived as due to a lack of ‘rational’ or ‘modern’ management practises and the absence of professional managers. Influenced by economic models of behaviour that see humans as rationally optimising and opportunist individuals, and professional groups as largely vested or ‘rent seeking’ interests, NPM is suspicious of representative, democratic or deliberative types of decision making. Such processes can undermine change, particularly if it is seen to threaten individual interests, and lead to ambiguous outcomes. Rather, management and decision making power should be centralised with the professional managers, who should be given greater autonomy – let managers manage – to achieve their objectives. As humans are assumed to be opportunist and mainly motivated by pecuniary gain, NPM focuses on short-term contracts and other financial controls to motivate and punish individuals. Performance indicators should be used to monitor staff but as NPM seems uncomfortable with ambiguity, quantitative rather than qualitative measures are often preferred. The faith shown in management as a skill is sometimes reflected in the adoption of management fads from the private sector, sometimes after they have ceased to be actually used in the private sector, and the use of private sector management and other consultants to advise and sometimes make decisions in public bodies. The discomfort with ambiguity, and to some extent complexity, and the belief in top down management, is seen in the use of strategic and other planning for organisations, and the use of such things as ‘management by objectives’. Reflecting the belief that the private sector is inherently more efficient, NPM advocates the attempted replication of markets processes including the introduction of competition and quasi-markets, contracting-out and sometimes privatisation. In sum, NPM provides a challenge to both traditional Weberian bureaucratic models in the public sector and collegial-type decision making processes traditionally found in university-style organisations.

While highly influential throughout the OECD, and particularly in English-speaking countries, NPM and related and supporting schools of economics probably found their greatest application in the New Zealand public sector in the 1980s and 1990s (Boston et al. 1996; Goldfinch 1998; Goldfinch 2000). The university and greater tertiary education sector was also reformed, largely along NPM grounds. These higher education reforms are currently being reconsidered by the New Zealand Government and aspects of them, while not being entirely reversed, are being modified significantly. However, the decade of the competitive model as it operated between 1989 and 2002 provides some lessons for reforms currently underway in Japan.

1. The New Zealand University and Higher Education System

The New Zealand public higher education systems consist primarily of four kinds of public institutions: eight universities, 21 polytechnics focussed on vocation orientated courses, four colleges of education

largely focussed on teacher training and three Wananga (Maori higher education institutes). All award a range of qualifications including degrees to the postgraduate level. Research is concentrated in the universities. Another 16 public providers classed as 'other tertiary education providers' by the Ministry of Education (2002a, 91) deliver 'programmes of national significance' such as dance and music education. Another 850 private training establishments (PTEs) deliver a variety of programmes, including some to the degree level, with the majority receiving some government funding. In 2001, public funding to tertiary institutions was just under \$NZ1.5 billion, with the universities receiving \$779.3 million. Total enrolments were 287,461. Of these, 40 percent were undertaking degree level study, 9 percent were postgraduate students, while 36 and 16 percent were enrolled in certificates and diplomas, respectively (Ministry of Education 2002a).

All universities in New Zealand are public institutions established by statute. The term 'university' is protected under law. All teach from the undergraduate to the doctorate level and are required under law to carry out research, to act as the critic and conscience of society and 'develop intellectual independence' in students. The universities offer similar broad based curricula in science, social sciences, business and the humanities, with medical schools based in the University of Auckland and the University of Otago. The universities exhibit managerial autonomy including controlling their own research and teaching, management, staffing and other structures and owning (under common law) their own assets. The Vice-chancellor, with powers similar to a private sector chief executive, is appointed by a broadly representative board – the council. In 2001 universities ranged in size from Massey University with 31, 818 students to Lincoln University with 2, 858 students (2, 774 EFTS). In 2001 there were 110, 119 enrolments as measured by equivalent full time students (Ministry of Education 2002a). Universities account for around 43 percent of higher education students.

The University of Otago, New Zealand oldest university, was established in 1869, with 5 of the eight institutions established before the turn of the twentieth century. The newest university is the Auckland University of Technology, established in 2000 from the Auckland Institute of Technology, then a polytechnic. This will be the last university for the foreseeable future, as the Government announced in May 2000 that it would limit the number of universities to eight. A federal University of New Zealand, similar in structure to the University of London, was established in 1870, made up of the various constituent university colleges across the country. This was abolished 1961, after which the colleges gained independent university status. Acting as a buffer between central government and the universities was the University Grants Committee. The University and its colleges had a high degree intellectual freedom and autonomy from the central government and were largely based on the English model of the university that 'emphasised a gentlemanly scholar ideal mitigated somewhat by concepts of professional training then being developed in the Scottish universities' (McKenzie 1996, 2). Colleges were run on the collegial model then prevalent in British universities. While the colleges, particularly the colleges in the South Island, had somewhat generous endowments at their establishment, the level of public funding was not high. Nor was the take-up of

university study – it remained very much the preserve of the elite, despite reasonably open access by world standards, as in New Zealand's 'workers' welfare state' there was not necessarily great financial benefit in university study. Many of those that did attend were part timers, with full-time students as the privileged few. For much of the first half of the twentieth century, universities were largely teaching focussed, with limited research or post-graduate education. For the talented students interested in further study, the universities of the Empire based in Britain provided further opportunities, with little incentive to return. A research culture began to develop in mid-twentieth century with the appointment of several key scholars – a group of four professors at Auckland University College in 1934 in English (Arthur Sewell), Classics (G. C. Cooper), Mathematics (H. G. Forder) and History (James Rutherford) and Karl Popper at Canterbury College in 1937 being notable examples.

This culture of research hardened with the publication of the Report of the Hughes-Parry Committee in December 1959. This report asserted the highly independent and autonomous status of the universities, and the collegial model of management. However it noted that teaching and research 'go hand in hand'. This, plus the growth in student numbers in the post war era, saw a rapid growth in the size of universities, with a considerably greater research focus. Public funding, while never as much as university administrators may have wished for, too became more generous so

by 1980 most universities were large institutions by British standards [and] as far as laboratory, library and electronic data processing services were concerned... no New Zealand university fell below international standards,... although the small size of the country... meant... very specialised facilities could not be afforded (McKenzie 1996, 7).

Based on the recommendations of the Hughes-Parry Committee, funding was based on the bulk funding of universities on a four-year basis, inflation adjusted. This was delivered through the independent University Grants Committee. Funding was based on a equivalent full time measure, that is, student numbers (TEAC 2001a). This was subsequently reduced to a triennial and then an annual basis as New Zealand seemed to suffer economic problems in the 1980s.

2. University Reform from 1989 to 1999 – the adoption of the 'Competitive Model'

The election of the Labour government in 1984 ushered in a period of rapid economic and administrative reform, with extensive economic liberalisation and a fundamental reconfiguration of the state sector. Public sector changes included corporatising, contracting out and privatising state services; cost recovery for government services; performance related individual contracts for staff; increasing departmental management autonomy; changing financial management and reporting requirements including moving from input-based to output based reporting; the adoption of accrual accounting; a move to strategic planning for

the government, and; departmental decoupling including policy-operations and funder-provider splits (Goldfinch 1998). The university sector was not immune to change and a series of reports, particularly the Report on Compulsory Education and Training in New Zealand (1988), known as the Hawke Report, and the Ministry of Education reports Learning for Life and Learning for Life Two (1989), recommended reforms along similar lines to that in other sectors of the public sector. These suggested reforms were largely implemented in the Education Act 1989 and subsequent statutes and amendments, as discussed below.

The university and higher education reforms of the 1980s and 1990s saw the universities and other higher education organisations adopt a 'competitive model', where each competes for enrolments and for the funds attached to these. With the ideology of the 'level playing field', higher education institutions, be they public or private, university or other provider, are funded on the same basis for similar courses as long as courses are approved by the New Zealand Qualifications Authority (NZQA). Management of the universities has increasingly moved towards corporate-type models with the centralisation of power, at least formally, with the Vice-chancellor, and away from traditional collegial models of management. Public funding has decreased, at least as measured by real spending per student, and the more-or-less free university education that existed was abolished, with increasing use of fees and student loans. I will expand on these issues below.

Relationship with the Government

The 1989 Education Act and subsequent amendments saw the abolition of the University Grants Committee and the establishment of direct contracts between the universities and the Minister of Education. Universities dealt with the Minister through a series of charters. This was strongly and unsuccessfully resisted by the Universities who saw such an arrangement as undermining university autonomy.

Expansion of degree awarding powers

Degree awarding powers were extended to institutions outside the universities, with the newly established New Zealand Qualifications Authority (NZQA) responsible for approving courses, including degree courses, with approved courses eligible for government funding. The New Zealand Vice-Chancellor's Committee maintained the power to approve degree programmes within the universities. Non-university higher education institutions became able to offer degrees, so that by 2001, there were 177 degrees offered by either polytechnics, colleges of education and private training institutes (TEAC 2001c, 4). By 2002 there were 47 institutions able to award degrees, including a surprising number of bible and/or theology colleges.

Funding Regimes and the EFTS System

There were considerable changes to funding regimes. The 'level playing field' approach was adopted where public and private providers in the tertiary sector, ranging from universities, polytechnics to small

private providers, are funded on the same Equivalent Full Time Student (EFTS) measure, that is, on their ability to attract students, as long as their courses were certified by the NZQA. This meant that universities offering degrees or certificates were funded on the same basis as polytechnics or private training enterprises offering similar approved programmes. A large part of research funding was included in the EFTS funding as ‘research top-ups’, and so awarded largely on the ability to attract student enrolments rather than research capability or performance. Until 2000, this research top-up was implicit in the EFTS funding, with no explicit direction on how much of the tuition subsidy was actually a ‘top-up’. After 2000, research funding included in EFTS was allocated to degree based programmes, with the amount of top-up supposed to be related to the intensity of research required at different levels of teaching. This ranged from small top-ups for undergraduate degrees (\$200-300) to considerably larger top-ups ranging from \$7-18 thousand at the research degree level, depending on the field of study (Peters, undated).

The EFTS system was introduced in 1991, and had the following characteristics. Funding was largely demand driven, that is, it depended on the ability to attract students. EFTS were calculated on an annual basis, so there could be, and was, considerable variability of funding if demand changed. Levels of EFTS funding differ for different courses and course categories, with graduate degrees funded at a higher level than undergraduate degrees, and ‘high cost’ disciplines funded at a higher level than ‘low cost’. The 1991 budget set the initial government subsidy to 75 percent of course costs. The deficit was left to the universities to make up through efficiencies or fees charged to students. Funds are allocated to the universities as bulk grants to be spent as seen fit, and there is considerable cross-subsidisation of courses within universities. Table 1 sets out funding categories as they existed in 2002.

Table 1: Tuition Subsidy Categories for 2002 by \$NZ Per Equivalent Full Time Student¹

Cost Categories	Programme (examples)	Sub degree	Under graduate	Taught Post-Graduate	Research Degree
A	Arts, social sciences	5, 045	5,215	6, 745	12, 345
B	Science, computing	7, 721	8, 091	11,421	22,621
C	Engineering, Architecture	9, 8282	9, 752	13, 682	27, 382
G	Dentistry, Veterinary science		18, 188	18, 188	18, 188
H	Specialist large animal science		15, 219	19, 149	23, 849
I	Teaching	7, 190	7, 360	8, 890	14, 490

Notes.

1. Source (TEAC 2001a, 174).

Another important element of public funding is a series of competitive funds. The most important of these were the Health Research Council established by the Health Research Council Act 1990, the Public Good Science and Technology Fund operated by the Foundation for Research, Science and Technology established in 1990, and the New Zealand Royal Society administered Marsden Fund. Funds are awarded on the basis of peer review ranking of research applications, although these are within specified fields or areas for all except the Marsden Fund. The Health Research Council is an independent government funded

corporation enabled to grant monies to certain fields, along specified lines within the broad framework of 'health research'. The Foundation for Research, Science & Technology is a Crown Entity with a board of directors appointed by the Government, with the power to allocate \$400 million annually (in 2001) to research projects, scholarships, fellowships, and grants for private sector research and development, particularly focussed on technology and applied research with a perceived (socio-economic) benefit to New Zealand, and with particular fields or areas specified. The Marsden Fund is administered by the independent Royal Society of New Zealand, with projects funded purely on perceived quality, as judged by peer review panels in different disciplinary areas. In 2002/2003 the Marsden Fund had \$30.8 million available. Funds are often highly competitive with 68 of 671 applications to the Marsden in 2002 actually funded, usually at a considerably lower rate than requested.

Fees and Student Loans

The period saw the end of largely free university education as fees were introduced and universal support was replaced by targeted financial support and student loans. While financial support to students increased marginally during the late 1980s, in 1990 the Labour Government introduced a flat fee across the board of 10 percent of estimated course costs which raised fees in 1990 from \$120 per year to \$1250. This was increased to what was supposed to be 20 percent in the National Government's 1991 budget, despite an election promise to abolish the fees, and fees steadily increased throughout the 1990s, particularly for higher cost courses such as medicine. Average fees were \$3000 per annum by 1999. Fees were frozen by the Labour Government in 2001, with the 'agreement' of the universities in exchange for a modest increase in government funding of 2.8 percent (1.8 percent in real terms). In January 2003 the Government announced that it would set maximum fee levels for institutions in 2004.

A student loans scheme was introduced in 1992 to allow all students access to money for education, to be paid back through the tax system. However, the once-comparatively generous state-funded and universally provided living assistance – in 1990 equivalent to the unemployment benefit – was scaled back and means testing was introduced for parents. Around 70 percent of students became ineligible for living assistance, instead having to subsist on loans, parental assistance or employment. Students under 25 needed a combined family income of below \$28,080 before they were eligible for the allowance. In 2000 those ineligible for student allowances had risen to around three quarters of students, with only 24 percent of Maori students eligible (Waikato Times 2002). By 2001, student debt had reached \$4 billion and by the end of 2002 had reached \$4.5 billion, with the average debt being around \$13 000 and the highest around \$166 000 (Quirke 2003). Inland Revenue (the tax department) was chasing \$71 million in overdue payments in 2003 (Quirke 2003). Student debt is projected to be 10 percent of GDP by 2024.

The Adoption of Corporate Management Practices

The management of universities was restructured along managerial lines, with a move away from collegial

forms of management. The Vice-chancellor became the equivalent of a chief executive and the employer of his/her staff. The universities saw the introduction of a wide range of corporate type reforms, including increases in user charges, private sector management and industrial relations frameworks. Other public higher education institutes, such as the polytechnics and the Colleges of Education (mainly for teacher training) now became more-or-less autonomous institutions with their own governing councils, and became able to own the institution's assets and offer and develop courses.

The Vice-Chancellor is appointed by the university council, which also acts as an advisory body. Under section 171 of the Education Act 1989, councils must have between 12 and 20 members (averaging around 17) and must include: four persons appointed by the Minister of Education; the chief executive; between one and three members each of the academic staff, general staff and students respectively; a member of the Employer's Federation; a representative of the Council of Trade Unions and other members of professional bodies where relevant. Members can be co-opted according to the councils' constitution. For example, in July 2001 the University of Canterbury's council consisted of twenty members. These included: four persons appointed by the minister; the acting Vice-chancellor; three academic staff members; one general staff member; two student politicians; a representative each of the Employers' Federation and the Council of Trade Unions (who was an academic); three members appointed by the council, two of whom were academics; and four Canterbury graduates appointed by the Court of Convocation. While not dominated by practising academics, academics still had significant representation on the Council. Much of the actual management of the university, such as appointments and allocation of internal research monies are carried out by committees entirely or mostly dominated by academic staff members, selected by a combination of election and appointment.

Despite the centralisation of power to the vice-chancellor, academic staff have more-or-less total independence in research, and considerable independence in teaching, constrained by the demands of the department or school, faculty and the university. However, there have been some moves away from collegial structures towards greater top down management systems. Internal structures differ between universities, with some maintaining traditional disciplinary departmental structures, others with multidisciplinary schools, and still others a combination of schools, departments and institutes. In some cases, the schools are headed by executive deans with considerable power. A number of universities undertook controversial and strongly contested restructuring along 'school' lines and away from traditional disciplinary departmental structures during the last fifteen years. Within the departments, Head of Departments (HODs) are seen as 'first amongst equals', often appointed by vote by department members. How these HODs operate in practice depends much on their individual characteristics, but few are able to operate without the support of some senior members of staff and the majority of other staff, and so must manage within the constraints of a collegial tradition. Administrative burdens for HOD have grown considerably in recent years. In the University of Canterbury, faculty meetings approve new courses and course changes, after a rigorous process of consultation. Faculty in this sense is a term applied to a group

of disciplines, such as the Faculty of Art or the Faculty of Science, with the faculty usually having an elected dean and a small administrative staff. Some disciplines, such as mathematics and economics, can be members of more than one faculty.

Tenure (or permanent employment) still exists to a considerable extent in the university system, with 78 percent of academic staff in permanent full-time employment in 1998, down from 87 percent in 1994 (Chalmers 1998). There has however been the increasing employment of staff, particularly teaching staff, on fixed term contracts. New Zealand does not use the German 'chair system', instead permanent members of staff are ostensibly treated as 'equal voices' in faculty and departmental structures. In practice however, power depends on a combination of seniority and intellectual status (the two are not necessarily identical), rank and formal position. Staff are appointed and promoted, ostensibly on merit, by the administration after recommendations of the academic unit, which may or may not be followed. In the University of Canterbury, the staffing committee containing appointed and elected administrative and academic staff from across the university is responsible for promotion. Staff can move through a series of positions, usually beginning at lecturer, then moving to senior lecturer, associate professor and professor. There may also be positions below lecturer, such as senior tutor or assistant lecturer, which can be available to teaching only staff or part-time positions. A Professor is expected to be a leading scholar of (hopefully) national or international renown, and it is by no means automatic that scholars will reach the position, whatever their seniority. There may be several or no professors within an academic unit, with appointments to 'personal chairs' or promotion to a 'departmental chair' being possible avenues of advancement. Academic staff are recruited from throughout the world, particularly from North America and Britain, and many academic units prefer to appoint candidates with PhDs from other institutions, or from outside New Zealand. Accordingly, some academic units have a minority of New Zealand-born staff members.

Universities as Critics and Consciences of Society

The term 'university' continued to be protected under law and universities (under section 162 of the Education Act 1989, and retained under recent amendments to the Act) are required to be 'primarily concerned with more advanced learning, the principal aim being to develop intellectual independence,' that 'research and teaching are closely interdependent and most of their teaching is done by people who are active in advancing knowledge', that 'they meet international standards of research and teaching,' that 'they are a repository of knowledge and expertise', and that they 'accept a role as critic and conscience of society'.

3. Evaluating the Competitive Model

The reforms of the university system, both at the time of the reforms and since, have attracted

considerable criticism. The current government has, rhetorically at least, rejected the competitive model and it is currently undergoing considerable investigation and will likely change to some extent. I will draw on some of these debates to draw out some of the problems and advantages of the competitive model.

Participation

Participation rates in tertiary education, including university education, are high by OECD standards. Participation rates increased rapidly after the mid-1980s, so that 35 percent of the 18-24 age cohort participated in tertiary education in 2001, up from 20.5 percent in 1990 (Ministry of Education 2002a). Women represent 57 percent of enrolments and half of students were over the age of 25 (Ministry of Education 2002a). From those over 25, participation grew from 2.7 to 4.5 percent of the age cohort between 1990-1999 (TEAC 2001c, 7). University enrolments increased from 67 000 in the early 1990s to 117 000 in 2002. There was an increase of 11.3 percent in the number of students enrolled in tertiary institutions between 2001-2002, but these were mainly in the non-university sector, with university numbers only increasing by 1.4 percent (Dominion Post 2003). Enrolments in PTES have had particularly high levels of growth, at 31.9 percent between July 2000 and July 2001, while at Wananga enrolments grew a massive 279 percent from 2000 (Ministry of Education 2002a).

It is unclear to what extent increased participation rates are an effect of the reforms to the higher education system. Participation rates have similarly increased throughout the OECD, whether or not they have reformed their higher education systems. At the very least, the changes have not discouraged students to enrol in higher education. Nor is an increase in participation an unmitigated good. In some cases, increasing student numbers and the move from elite to 'massification' of education can put downward pressures on the quality of institutions, particularly universities. Such an effect might be intensified in a system that funds primarily on student enrolments. New Zealand universities have open entry for students over the age of 20. So an increase in adult students with questionable ability to handle university study may be putting downward pressure on course quality, particularly when cash-strapped universities and other institutions are dependent on attracting and maintaining student numbers to preserve their financial viability. The higher staff-student ratio may have also led to a drop in quality of research and teaching, as, all things being equal; time available to staff to devote to these tasks is reduced. The growth of a vast array of new institutions and courses, particularly degree courses outside the university system, where much of the growth in participation has taken place, has led some to suspect that some growth has been at the stake of quality (see below). Whether a country of 4 million people should have 47 institutions offering degrees is open to question. Even supposed beneficiaries of the greater number of institutions and greater participation have questioned their quality – for example, some Maori leaders have complained that the great increase in the higher education participation of Maori has been in providers of questionable quality, outside the universities and polytechnics.

Equity

Education is a significant predictor of individual economic and social success and a key avenue out of poverty. As such, all things being equal, greater participation by groups suffering from poor socio-economic performance should lead to some reversal of this poor performance. However what evidence exists on the effects of the reforms on equity issues is ambiguous. With increasing participation since the mid-1980s, the New Zealand higher education system has incorporated a far wider range of people from a greater variety of socio-economic backgrounds. However, a considerable amount of growth for disadvantaged groups has been in the non-university sector. For Maori, participation rates have grown in very recent times at Wananga and PTES but they are still underrepresented in other public higher education institutes, particularly universities, and particularly at the graduate level. Maori and Pacific peoples are also over-represented in the private training establishments where they constitute 31 percent and 10 percent of enrolments, while constituting 15 and 6 percent of the population, respectively (TEAC 2001c, 11). The University sector is still the preserve, although increasingly less so, of the middle classes, with one study (admittedly by the NZ Student's Association) finding that students from schools in rich areas are five times more likely to attend university than students that had attended schools in poor areas (Evening Post 2001). It will take some time before the effect of increased participation has on the socio-economic advancement of currently disadvantaged groups becomes known. It should also be noted that many of the university reforms were undertaken in a period that has seen one of the fastest growths in income inequality in the OECD (Goldfinch 2000).

The student loans scheme that underpins much student participation is claimed to impact more severely on women and provide a greater deterrent to higher education to people from lower socio-economic groups and Maori and Pacific Islanders. Women graduates with a one-year certificate from a polytechnic take an average of 23 years to repay their student loan (28 for a three-year degree), with Maori men and Pacific island men taking six and nine years respectively, compared to six years for pakeha (European) men (Press 2002). What has also been of concern is that loans have encouraged a 'brain drain', as expensively and well educated (by world standards) graduates leave to other countries where they can be paid considerably more than they could ever hope to earn in New Zealand. While debate has been intense on this subject, evidence on the severity and long term effects of these 'loans refugees' (many of whom return after the traditional 'OE' (overseas experience) and add considerably to New Zealand's economy and culture) is thin on the ground, and one study found little evidence to support the belief (Waikato Times 2001). In sum, the evidence that higher education reforms has impacted positively or negatively on equity issues is ambiguous.

Management and the Growth of Managerialism

Some critiques of the university reforms have focussed on the growth of 'managerialism' and the undermining of the traditional collegial management of the universities. Rather than self-governing, scholars in universities have become another group to be represented in the Council. What has concerned

some critics is the partial replication of corporate practices. The Vice-Chancellor, at least formally, has power somewhat equivalent to the chief executive of a business corporation. While the Council is important, the responsibility for running the university and the appointment of staff lies with the Vice-Chancellor. Actual behaviour may not follow structure and in an ideal environment the VC's power would be exercised in a manner that took account of collegial traditions of university life. However, this has not always been the case. At Victoria University of Wellington, the Vice-Chancellor, Professor Michael Irving, was pressured to resign after he received a vote of no confidence from the university staff, with a unanimous motion passed by 67 professors professing 'sadness and grave concern at the deep-seated problem in the management and the leadership of the university' amidst severe budget problems, financial deficits and industrial action (Harrington 2000, 21). Irving was reportedly paid \$400 000 as 'a golden handshake' to ease his departure. As one journalist noted, concerns included

decisions over restructuring being made with little or no apparent consultation or indication about how they would bring about fiscal or intellectual improvement; attempts to introduce performance-based pay; the sale of university paintings [including a \$NZ million-plus painting given by New Zealand's leading painter, Colin McCahon, on the understanding it would not be sold]; the purchase of [a former student hostel with a long and distinguished history] as a Commerce School; the increasing use of consultants; and the big growth in marketing and communications staff (Harrington 2000, 21).

The vice-chancellor was also appointed by the Council with no consultation of academic staff, which also went against a 100 year tradition. In particular, it was the appointment of a non-academic management consultant, Tony Chamberlain, as acting-assistant vice-chancellor (resources) by the new VC that caused great concern. Chamberlain was perceived to have contempt for academics and the traditions of consultation and was seen as possessing an overbearing and arrogant manner. After Irving's departure, Chamberlain was demoted to executive assistant.

Similar concerns regarding management have been expressed in other universities, particularly with the growth of corporate and human resources staffs and the use of consultants. Such practises and management styles of some VCs, and the recalcitrance of some academics, have contributed to considerable tension. One study found the management issues and leadership was the issue that most concerned academics with regard to their employment (Chalmers 1998). In the University of Canterbury, for example, management staff increased by a considerable amount after the appointment of a 'managerialist' VC, who attempted restructuring the university along multi-disciplinary school grounds, before resigning and returning to Australia. Concerns were also raised over a \$100 million loan that was not discussed outside the Council (finally abandoned) and poor bookkeeping practises. Continuing increases in paperwork with monitoring and measurement of sometimes questionable value, and increased teaching loads, particularly in

the smaller departments, has seen reductions time available for research, with a study by Chalmers (1998) finding that 82 percent of academics reported their workloads had increased since 1994, with particular increases in administrative loads and teaching duties and less time for research.

In line with the new treatment of VCs as akin to corporate heads, there were considerable increases in salaries, with average rises of 40 percent between 1997 and 2001 – the highest, the VC of Otago, rose 45 percent during the same period, while one VC's salary increased 16 percent in one year and the University of Canterbury VC's salary increased by 38 percent compared to his predecessor (Ross 2001a). During the same period, staff increases were only 7.5 percent. Unions also raised concerns regarding pay increases and bonuses given to senior management staff, while academic staff received small increases. Others have expressed concern at the expensive offices of some senior management staff. While management numbers were often increasing in universities, in some universities academic staff numbers were decreasing. During 1991 and 1999, academic staff numbers fell in New Zealand universities by 600, and the ratio of staff to students increased from 1 to 17 to 1 to 19 (Birnie 2001). Academic staff at Auckland University decreased by 8 percent during 1996-2000, despite a 4.7 increase in student numbers (Walsh 2000). Massey university, at the same time it was expanding into other centres, was threatening 86 staff layoffs due to restructuring exercises (Groser 2000). Nearly all universities have faced sometimes intense industrial action, including strikes by academic staff over salaries, funding and management practices. Three of the eight universities faced simultaneous strikes in 2002, and the University of Otago took expensive and unsuccessful legal action against its striking staff in late 2002.

The new corporate and competitive model for New Zealand universities has also led to some concerns regarding academic freedom. In a report commissioned by the Association of University Staff, Savage (undated, 1) claimed that

... from 1987 to 1990 New Zealand saw an unprecedented invasion of university autonomy and attacks on academic freedom by the central government. Although the university committee resisted these attacks with varying degrees of success, the consequent warfare has been debilitating, has eroded morale...

Academics at Auckland University were told that by the Vice-Chancellor that they could be 'summarily fire[d] if they had been 'found to have brought the university's work into disrepute'. The VC had issued his warning because it had 'been brought to his attention there had been occasions where public or semi-public comment had been made which did not reflect a 'unified collegial approach' to the work undertaken within the various faculties' (Cohen 2002, 4). In another instance, doctors at the University of Otago Christchurch Medical School were threatened with dismissal after trying to bring to attention to issues of patient safety (Dominion 1998). Other universities have issued directives that staff should only comment on matters of their own expertise, without defining what this meant in practice. Attempts to gain

greater control over the university system by the New Zealand government in the late 1990s were widely seen as an attempt to undermine university autonomy and academic freedom (Savage undated).

Unwelcome Effects of Competition

The competitive model underpinning the reforms of the 1990s saw each institution as analogous to a competing business – the customer being the equivalent full time student, the product some educational service or job training. The customer is assumed, more-or-less, to be the optimising, instrumentally rational individual of economic theory, with the ability and information to make informed choices. Rather than the largely cooperative regime (particularly amongst the universities) that existed prior to the reforms, the EFTS system gave strong incentives for institutions to compete for students. This has probably led to some positive outcomes. Providers must offer courses that reflect student demands, rather than simply the particular research or teaching interests of staff members. Widespread student evaluations of teaching puts pressure on staff to make greater efforts to engage students to maintain their interest. Those organisations that do not cater to student demands will lose funding. However, there may have also been some less-than-positive outcomes from the competitive model, as I will now examine.

There is a danger that the EFTS based system may undermine the quality of teaching programmes by encouraging lower standards of entry and completion, and by being too-strongly reliant on the decisions of students. If funding is based purely or largely on student numbers, this provides an incentives to offer courses that will be popular to students and attract student numbers, which may be a good thing as noted. However, students may not always be the best informed about what is best for themselves, despite the confidence of economists towards rationally optimising individuals. Students may choose a course for various and conflicting reasons – intrinsic interest, likeability of the lecturer, and perceived hardness of marking, and in some cases, quite mistaken conceptions of employability at graduation. Eighteen year olds may not necessarily be attuned to what is expected of them in a discipline and may shy away from what are core or important courses if they are perceived to be difficult or demanding. To attract and maintain student numbers there may be implicit, and sometimes explicit, pressure on academics to lower standards, make the course less onerous and pass more students. This may be particularly be the case when non-academic management and administration staff with less commitment to professional standards are appointed to top positions. There is at least anecdotal evidence of this and amongst a number of academics there is a perception that such pressures have led to the quality of education falling in the last decade (Reidy 2000). New Zealand lacks the tiered university system found in a number of other countries and the limits on entry that would give universities the luxury to be more selective in whom they allow to enrol. Instead, the universities take all students that meet entry requirements – and for 20 years olds or above, there are none. The exception is for courses such as Medicine, dentistry, engineering and high demand courses at universities in the larger metropolitan areas, such as Auckland, where there are limits on entry. Outside the universities there are courses offered that many suspect may be of rather questionable quality, as noted.

The competitive model has indeed encouraged providers to compete for students. However, this has sometimes led to the unseemly outcome of public institutions competing with one another, offering similar and overlapping courses, sometimes at a loss. In Christchurch, a city of only 300 000, four public institutions offer various overlapping degrees, including in business and the social sciences. By 2002, these organisations, responding to pressure by the government were ‘working through’ their duplicated business degrees within the ‘Canterbury Tertiary Alliance’, but rhetoric has yet to led to great changes (Ross 2002). In 1999 the Christchurch Polytechnic set up a campus in another city, Timaru, in direct competition with the existing Aoraki polytechnic, threatening that institution’s survival. The Invercargill based Southern Institute of Technology set up courses in Christchurch offering fees reduced by 60 percent for 2002, and planning to offer free courses by 2004. The Christchurch Polytechnic responded by offerings free enrolment for 2002 for those studying trades, offering courses at a loss. The Government responded by threatening to cut funding for both organisations (Ross 2001b). Massey University set up a campus in Wellington that was seen as a threat to the existing Victoria University of Wellington, while its merger with the Wellington Polytechnic allowed it to offer nursing degrees in competition with a polytechnic based in Massey’s original campus town of Palmerton North. When public institutions have been faced with loss or collapse, the government has found itself involved in costly rescue efforts or amalgamations. Financial viability is further undermined by the volatility of EFTS funding. As EFTS funding is on an annual basis, shifts in student demand can vary an institution’s income by a considerable amount from year-to-year.

Another outcome of the competition model has been the replication of corporate type practises to attract students, such as the use of glossary publicity material, the hiring of public relations staff and the use of advertising campaigns. Public institutions spent \$NZ15 million in one year on advertising, with universities as particularly heavy spenders on advertising (Nicholson 2002). For example, Otago and Massey universities spent \$2 million each on advertising in 2001, while the Christchurch Polytechnic spent \$1.3 million (Nelson Mail 2002). It may be that advertising and public relations encourages some individuals to undertake further education they may not have otherwise, and so has positive outcomes. However, it may be that advertising has largely been about public (and private) institutions competing over the same pool of students. In any event, one survey suggests that advertising plays little role in students’ decisions on where to study, with only 6 percent identifying advertising as the primary reason for enrolling at their institution (Nelson Mail 2002). Whether it is a positive development to ape the glossy practises of the corporate world is questionable. PR staff and corporate affairs offices do not necessarily add to the research or educational value of an institution. Once an institution decides to advertise and engage in extensive advertising and public relations however, the logic of the competitive model means its fellow institutions usually follow.

The EFTS based funding may have encouraged some opportunistic behaviour by student and providers. Once approved by the NZQA, public and private courses receive funding from the government on an EFTS basis and student become eligible for student loans and/or financial assistance. A number of NZQA

approved courses have been greeted with considerable scepticism. One was a scuba diving course. Another private institution offered a National Certificate in Computing with no course fees, and a free computer on successful completion. The company received \$3000 for each student who completed at least ten percent of the course, with a large component delivered on-line. Funding to the institution continues only if 50 percent of students across all courses in the institution complete their training programmes. Controversy over the 'free computer' led to a NZQA investigation and pressure from the government to withdraw the offer of free computers for the next intake of students. Despite nearly half the 3790 students failing to complete their courses, the NZQA approved the course after an audit (Pullar-Strecker 2002). It may be that such courses were of genuine educational benefit. However it may be that some optimising individuals see the EFTS system a way to fund a few weeks scuba diving or to obtain a free computer. Some less-scrupulous private operators may see the EFTS system primarily as a means to generate easy profits. Whether in a time of fiscal constraint where public universities and polytechnics are struggling in some cases to balance their books, it is questionable whether public funds should be going to some courses. Certainly the huge growth in PTEs makes controlling for quality and even honesty an immensely complex task for the NZQA with a staff of 239 and immense responsibilities across the entire education system.

Research Funding under the EFTS system

The research funding component included in EFTS has been delivered without regard for the capability of providers to actually carry out research. Institutions, such as the universities, with expensive laboratories and libraries and the research-based teaching and international levels of excellence required under the Education Act 1989, have been funded on the same basis as institutions that have limited facilities and/or do not conduct research, and do not have the same standards of excellence expected. This lack of distinction is particularly pathological at the EFTS graduate level, which explicitly contains a larger loading to fund research. Polytechnics and Colleges of Education and other providers, carrying out little or no research but offering degree courses, have been funded on the same basis as universities expected to carry out world class research. The volatility of research funding, being as it is tied to annual student numbers, makes long-term planning difficult, and makes even highly successful research programmes vulnerable to debilitating funding cuts if programmes do not attract sufficient student enrolments.

Funding Problems

Like a number of other countries, New Zealand has faced severe financial pressure in its higher education system. While as a percentage of GDP, public expenditure is in the high range for the OECD, GDP is not high by OCED standards, so New Zealand higher education institutions are comparatively under-funded by developed world standards. However as New Zealand participation rates are comparable to world standards, the higher education system is at least efficient at producing relatively low cost graduates (TEAC 2001a, 13).

There have been some nominal increases in public funding of EFTS places with funding increasing from \$0.99 billion in 1991 to \$1.18 billion in 1999. However, between 1980 and 1999 real funding by Vote: Education per equivalent full time student decreased by 36 percent (\$3, 821). This fall in government funding per student has been somewhat compensated by increases in other earning, with universities receiving 29 percent of their income from funding other than student fees and EFTS funding, and declines in funding per EFTS being offset by increases in fees, so that total funding per EFTS actually declined by only 2.4 percent between 1991 and 1999 (TEAC 2001a, 15). However, this decline has been intensified by price inflation, the falling value of the New Zealand dollar against major currencies and increases in other expenses.

Such fiscal constraints have led to a serious undermining of some facilities, particular libraries and high cost laboratories. For example, the University of Canterbury cut its serials budget by 20 percent in 2001 (\$1NZ million), and then repeated the exercise in 2002, further in a line of cuts stretching back into the 1990s. University salaries have fallen dramatically relative to salaries in other professions in New Zealand, and compared to academic salaries in other countries, to amongst the lowest in the developed world, even after adjustment for purchase power parities (TEAC 2001a, 16-17). The relative decline in New Zealand salaries has led to difficulties in recruiting staff in certain areas, such as clinical subjects, economics, business subjects and computing, where there are a number of positions unable to be filled. A number of the institutions of higher education are facing financial difficulty or even collapse, with amalgamations and loans to a number of polytechnics requiring considerable investment of crown funds (TEAC 2001a, 14-15). However, both the University of Otago and Victoria University of Wellington have recently recorded surpluses.

Problems of Coordination

The EFTS system may have lead to certain less-than-desirable outcomes for New Zealand as a whole, by directing public funding through student choices to limited areas of research and study. Despite the economist's strong belief that the actions of optimising individuals will lead to an optimal outcome for all, it may be that there can be divergences between what is good for a nation as a whole and what seems optimal to a student deciding what degree or course to enter. For example, the important role of scientists in advanced industrial economies is largely accepted, and therefore there may be benefits for a nation to encourage education and research in the sciences. A country looking to trade with the world may gain great benefit with having its citizens study various languages – not to mention the cultural benefits. However, an individual looking at job prospects may consider that a degree in accounting may be a better option – fees are lower than the physical sciences, and employment likelihood and expected income seem to be higher. While a language or humanities subject might be interesting, the employment prospects seem less certain. Enrolments and the attached money may flow to such courses as business that seem more immediately and directly job-oriented, and away from the sciences or other expensive courses, or the

languages, social sciences and humanities. This is indeed what seems to have happened in New Zealand, where enrolments in even high quality departments such as the sciences, some social sciences and languages can be distressingly low. This may be a good thing in some cases. A country as small as New Zealand may not be able to maintain too many language departments and too many highly expensive physical science departments. However, a country with severely limited sciences or languages or humanities would be impoverished, in more than just simple economic terms. Unless, as already happens, there is considerable cross-subsidisation, this may cause significant pressure on the reduction of these departments, either in number and size or both, which may be a less than optimal solution for the country as a whole.

4. The Labour Government and the Rejection of the Competitive Model

In opposition, the Labour and Alliance parties opposed much of the reform of the higher education system, particularly the further market-orientated changes threatened in the late 1990s by the National Government.¹ Once elected, the Labour-Alliance coalition government established a number of bodies to study aspects of tertiary education, including the Tertiary Education Advisory Commission (TEAC). The establishment of TEAC was a policy commitment of Labour going into the 1999 election and the appointment of the eight commissioners was announced in April 2000, just four months after the formation of the government. The commission included members that had been strong critics of the previous government's direction in higher education policy, such as educationalist Professor Ivan Snook and public management specialist Professor Jonathon Boston. It received strong backing from the Associate Minister of Education, Steve Mahery, with a broad terms of reference that allowed it considerable scope to examine the tertiary sector, although it was prohibited from questioning the overall funding levels allocated to the tertiary sector. TEAC published four major reports and during its period of existence, and commissioned numerous short publications and papers. It made a considerable number of recommendations, following the brief of the government to reject the competitive model. Many of these are currently being implemented, with one important piece of legislation, the Education (Tertiary Reform) Amendment Act 2002, coming into effect on 1 January 2003. This amended the Education Act 1989.

Some of the more important aspects of the reforms include the establishment of the Tertiary Education Commission, the development of the 'Tertiary Education Strategy' and the 'Statement of Tertiary Education Priorities', and the frameworks to put these into place, and the establishment of a system of charters and profiles for higher education institutions. The role of the universities as critics and consciences of society is maintained in the amendment, as is aspects of institutional autonomy. The NZQA is maintained as the body to oversee quality assurance of qualification outside the university sector and the Act empowers the NZQA to set and enforce conditions on the registration of PTES and approval of their courses. The Education Act now requires the government to issue what is called A Statement of Tertiary Education Priorities (STEP), setting out its priorities and strategy for the higher education system for each

year, based on the Tertiary Education Strategy which has a 'medium term' focus looking towards 2007 (TEC 2003). An investigation is currently underway into governance mechanisms of universities and other tertiary providers. Final details of much of the reform are still to be worked through, so the details given below may change.

Rejection of the Competitive Model

The rhetoric has moved from competition to 'strategy' and 'cooperation'. Universities and other public providers are now supposed to cooperate rather than compete, and the government now sees itself as having some role in encouraging the education system to move in certain directions, rather than leaving it to the quasi-market to decide. The Government has outlined its 'strategy' in the Tertiary Education Strategy (TES) – with six strategies providing priorities for the education systems looking to the medium to long term (initially to 2007). The minister is required to pay attention to the economic, social and environment context and 'the development aspirations of Maori and other population groups' (Education Act 1989 s. 159AA). The current strategies are very much apple-pie statements, encompassing such things as 'Strengthen system capability and quality'; 'Contribute to the achievement of Māori development aspirations'; 'Raise foundation skills so that all people can participate in our knowledge society', 'Strengthen research, knowledge creation and uptake' and so on (Associate Minister of Education 2002). Particular objectives are linked to each of the six strategies. A Statement of Tertiary Education Priorities (STEP), to be produced at least once every three year, sets out more immediate goals, linked to the TES (s. 159AC; TEC 2003). The 'level playing field' ideology where private and public providers are treated similarly has been rejected. Instead, the government froze the number of providers to be subsidized by the government until the end of 2002 and in future will specify a set amount to fund private providers. Funding regimes will generally favour public providers. If there is over-lap in courses provided by a public and private provider, the public provider will be funded only, unless there are good reasons to do otherwise.

Establishment of the Tertiary Education Commission

The somewhat independent intermediary body between the government and the higher educational providers, the Tertiary Education Commission (TEC), was established under the Education (Tertiary Reform) Amendment Act 2002 and launched by the Associate Minister of Education, Steve Maherey on 14 February 2003. TEC is a 'crown entity'; a body corporate owned by the government that has a degree of independence, but still remains responsible to the Minister. However, while the Minister has some powers to direct TEC, these are somewhat limited by requirements that these directions be consistent with the TES, be made publicly and cannot instruct on the funding of particular organisations. TEC is responsible for implementing the government's strategy for 'a more collaborative tertiary system', for the allocation of \$1.9 billion for tertiary funding, and providing advice to the Minister. It has eight commissioners and 250 staff, with a national office in Wellington and 11 regional offices.

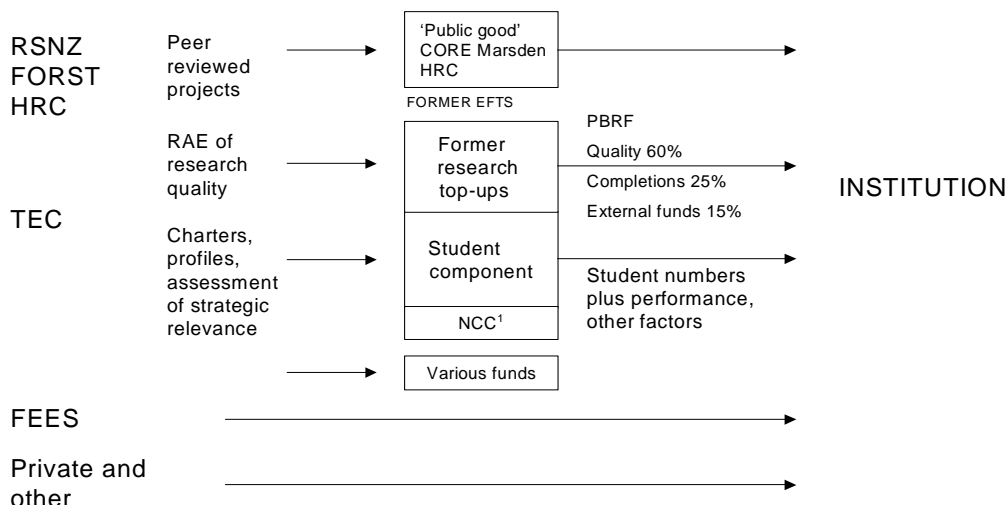
Changes in Funding Regimes

Funding regimes have been significantly modified. Research funding will be largely separated from student enrollments and the funding for student enrollments will be controlled partly through a process of negotiated 'charters' and profiles'. There is likely to be some control of student numbers funded for some institutions and for some courses, in line with government decisions and priorities. Funding will be allocated largely through TEC, with institutions funded if they meet what TEAC called a 'desirability test', but is now called 'the Assessment of Strategic Relevance'. TEAC recommended this desirability test was to take account of whether the provider's activities related to the 'national strategic goals and tertiary education priorities'; enhanced 'economic efficiency and effectiveness across the tertiary education system', and assisted 'appropriate differentiation and specialization across the system (TEAC 2001b, 6)'. Later this was modified to 'a set of broad assessment criteria coupled with a set guidelines...that TEC and tertiary organizations will take into account in assessing whether activities and structures, align, or advance the Tertiary Education Strategy TES and its STEP' (Ministry of Education 2002b).

TEC will use the assessment during the approval (or not) of charters and profiles, and this can result in the approval, removal or withholding of public funding. TEC will negotiate with providers over the approval of 'charters' and 'profiles'. Charters will set out the missions and activities of providers, their 'strategic direction' and 'objectives' and how these contribute to the 'strategic direction' set out by the government, or other matters as specified by government (Education Act s. 159L). Charters are subject to approval by the minister. Profiles are developed annually and set out the 'organisation's operating plans, key policies, and proposed activities for the next 3 years', funding requests, how they give effect to the charter, and include performance indicators and other information as required by TEC (s. 159W). Profiles are subject to approval by TEC. Institutions are also required to develop and deliver a 'statement of service performance reporting on the performance of the institution as compared with the institution's objectives and performance measures and targets specified in the institution's profile for that year' (s. 19(3)). The Minister can determine through what mechanisms TEC will fund organisations. Funding will in general favour public institutions, as seen below.

The EFTS system will be modified considerably. That part of EFTS funding supposedly to fund research will instead progressively shift directly towards rewarding research performance: with 60 percent of the total of a new Performance Based Research Fund (PBRF) allocated on the basis of research quality as assessed by panel review; 25 percent for research degree completions; and 15 percent based on external research funds gained. By 2007, 100 percent of EFTS research top ups will be transferred to the PBRF, which will grow progressively from \$21.4 million in 2004 to \$134 million in 2007. This includes extra funding from the Government for the scheme, rising to \$20 million per annum by 2006. This research assessment exercise will be similar to the British RAE with a focus on quality rather than quantity and panel assessment by peer review, with 11 disciplinary panels containing around a quarter of panel members from overseas. The process is under the aegis of TEC, who appointed the panel members from various

Figure 1: Proposed Funding Model for the New Zealand Tertiary Education Sector

**Notes:**

1. NCC= National capital component only available to public institutions.

nominations in March 2003. Preparations for the first assessment exercise are currently underway, with decisions affecting funding for 2004. I would expect that the universities would gain the bulk of the PBRF money, so to some extent the PBRF is a redistribution of money away from other higher education providers to the universities (Goldfinch 2003).

It is proposed that the remaining 'EFTS' funding be renamed the 'student component'. The final details are this are as of yet undecided, but it is to be based largely on student numbers, but containing a small 'performance element' which may include such measures as 'completion rates [and] demonstration of collaboration' (Ministry of Education 2002b). This will be set three years in advance to give greater certainty to funding, based on a rolling triennium, where funding for the next year will be rolled out each year. During approval of profiles and public funding, there is likely to be some control over student enrolments allowed to an organisation depending on performance, 'areas of relative strength', high cost study areas, what other providers are offering, and 'strategic relevance'. The student component will include a 'notional capital component' of 9.5 percent, although this can be used as institutions see fit, including for operational funding. This capital funding will not be available to PTEs. A set amount of funding, proposed to be \$146 million, will be available to PTEs, with enrolments capped at 2001 levels. The so called 'Strategic Development component' will include a number of funds to target special areas such as Maori and pacific learners, disabled students, 'e-learning' 'improved governance and management'. There will be a number of other funds for adult learning, learning disadvantaged groups and so on. All public institutions will receive a \$250,000 'institutional base grant' regardless of size.

A system of 'Centres of Research Excellence' has also been established. Centres are established in various universities in cooperation with other organisations such as the government-owned Crown Research

Institutes, with funding allocated on a competitive basis through the independent Royal Society of New Zealand. In the 2001/02 Budget, funding for Centres of Research Excellence consisted of operational funding of \$2 million (2001/02), \$10.225 million (2002/03), \$12.475 million (2003/04), and \$13.600 million ongoing. A contingency fund of \$20 million for capital expenditure was also established. In the 2002/03 budget, additional operational funding of \$5.5 million (2002/03), \$10 million (2003/04) and \$11 million, all ongoing, was made available. A further provision for \$20 million for capital expenditure was also approved. There are currently seven Centers of Research Excellence in operation.

5. Implications of the New Zealand Model for the NUS Model in Japan

After 1989, reflecting the influence of new public management and market economics, New Zealand adopted a competitive-type model in its higher education system. This included a quasi-market system where public and providers competed for students (and the public funding attached to their enrolments) on an equal basis, the adoption of corporate-type management practices in higher education institutions, and direct contracts between the Ministry of Education and providers with the abolition of the intermediary body the University Grants Committee. These reforms are currently being investigated and some are to be or have been significantly modified. At least in its rhetoric, the New Zealand government has explicitly rejected the competitive model, and is currently developing mechanisms to oversee a strategic direction for New Zealand higher education. As the current NUS model has elements of NPM similar to the models previously adopted in New Zealand, the New Zealand experience provides some possible lessons for Japan.

Solutions must address the Problems

The NUC model comes after a long period of debate about the problems facing Japanese universities. In various reports through the 1980s and 1990s and earlier, concerns were expressed: at the comparatively low number of students continuing to graduate level; at the few foreign academics teaching at Japanese institutions; the insularity of graduate schools and hiring practices where few academics or students were accepted from outside the institution; the limited impact of Japanese research on some of the world; and the need for third party evaluation (Ministry of Education 1995; University Council 1998; Ministry of Education 2001). Reports have also noted there should be specification of grading requirements and a more rigorous grading system, and greater flexibility and individualisation of organisations (University Council 1998, 21). In a scathing attack, McVeigh (2002) has characterised Japanese higher education as 'myth' with university a hiatus between the tough schooling system and work environment; more a period of relaxation and a holding pen for future job seekers than a place of genuine education. While entry to the top universities is difficult and no one doubts the reality of 'exam hell', once students enter university, standards are sometimes not rigorous and few fail to complete their degrees, whatever standard of work they do (or do not) produce. It has also been noted that the number of 18 year olds entering education is

declining rapidly, with numbers of prospective student expected to equal available places by 2009, leading to falls in the quality of students accepted into university study and threatening some institutions' financial viability (Mori 2002).

However, the link between the NUC model and the problems identified above is not clear. If it is accepted that policy change should be about developing solutions to problems – and there is a large body of research that argues the two are often not linked – then MEXT and others have not clearly identified how the NUC model they propose will address some of the problems. Instead, reflecting NPM beliefs that centralised management and private sector practises will lead to greater efficiencies and various and often unspecified benefits, the solution, what ever the problem might be, becomes more and better management with greater autonomy, more evaluation, more competition and more accountability.

It may be that, however, some of the problems are quite divorced from management structures. It is unclear to me how, for example, the claimed low quality of undergraduate education will be addressed by changes to management structures. If the culture that supports low expectations regarding university education continues amongst university administrations, academic staff, employers, students and parents, then it is unlikely that management changes, more student evaluations and greater levels of competition are going to address the problem. Indeed they may intensify it – if students believe that they are not expected to work or think in the university environment, their student evaluations will reflect this. Academic staff who challenge these beliefs will suffer in student evaluations. If private employers continue not to value actual performance at university, rather simply the university attended, then this will also undermine attempts to improve standards. Graduate education levels will like-wise improve mainly if employers and others come to value graduate education. Given the power of government agencies in Japan, if state agencies took the lead in hiring graduate students ahead of undergraduate students, this would put strong pressure on the wider business culture to also employ postgraduates. A focus on university education beyond a purely instrumental means to obtain a job and towards the benefits of education as an end in itself and something to be cherished, may also led to better outcomes.

Competition will not always lead to higher standards. That part of funding that might depend on quality evaluations and peer review of research projects, may lead to incentives to increase quality, although how as of yet remains unclear. However, a large part of funding may continue to be based on student enrolments, particularly for the private sector. As student numbers fall, there will be pressure to lower standards of entry and to continue to pass students whatever the quality of their work, or face financial failure, unless MEXT maintains strong controls over student numbers and standards. Such pressures have already been noted in Japan – and they have been seen in other countries such as New Zealand. Giving greater power to central management, who may not share the professional values of academic staff, might actually intensify pressure to lower standards to enrol and pass more students to maintain financial viability. Again, there is some evidence of this in New Zealand.

Similarly while privatisation may well (but not inevitably) reduce the pull of the national universities on

public funds, it is unlikely to improve quality. Japan already has a huge private sector. There is no real evidence it is more efficient than the public sector, and there is considerable evidence that it is generally of a lower quality. Nor is the merger of universities a self-evident path to greater quality or efficiency. Mergers may be a sensible solution for organisations facing falling student numbers, or wishing to rationalise courses offered, administrative structures and so on. There may indeed be too many universities in Japan. However, this should be evaluated on a case-by-case basis. Bigger universities are not by definition better ones and universities throughout the world differ hugely in size. Some high quality universities are very large with a great number of students. Some high quality universities are very small, with only a few thousand students. And there are huge but poor quality universities and small and poor quality universities. The relationship of these universities with the community and with business is due to myriad factors such as history, good alumni management, and proactive engagement, none of which is self-evidently related to institutional size.

The NUC model is to some extent an attempt to adapt the Independent Administrative Institutions (IAIs) model being pushed strongly by elements of the government, to the different circumstances of the national university system, and moderate its extremes. MEXT seem to still want to maintain enough influence over the national universities to maintain ‘balance’ in geographical and other senses of the word for the system. However, this does not mean the NUC model will have altogether positive effects. Change is a costly and risky process and should be made for good reasons, not merely because change is expected and seen as a good thing in itself. It could be suspected that the NUC is more an outcome of internal government politics rather than a genuine attempt to solve perceived problems of the university sector.

Faith placed in Management and Private Sector Practices

The NUC plan places great faith in the ability of managers and private sector practices. As the *A New Image for University Corporations* notes

The president... with the ultimate responsibility in terms of both management and education, must bring into full play strong leadership and management skills, while bearing in mind consensus within the university.

... the insight and capability of the university president will have a great impact on the destiny of the university, so the personnel selected as university presidents must have outstanding management capabilities as the person (sic) responsible for the administration of the corporation, while at the same time having a great deal of insight into education and research (STCTNUC 2002, 29)

This belief in the ‘hero-manager’ is a characteristic of NPM approaches, and while management ability

differs between individuals it may be that such hugely competent people are very rare. And while proponents of New Public Management place great store on clear lines of authority and private management practices and distrust representative involvement in management, the actual evidence that top down, putative 'business-type' management is more effective and more efficient in university systems is slight if not totally non-existent (Birnaum 2000). If longevity is some measure of success, some universities have survived far longer than many supposedly more efficient private businesses. Traditional universities have also avoided some of the pathologies of private business such as chief executives being paid hundreds of times their employees' salaries, executive salaries unrelated to performance, mind-bogglingly huge retirement packages, accounting and corruption scandals such as Enron, inability to deal with trillions of yen of bad debts and so on. Universities are ancient institutions whose representative and collegial organs have often served them well and efficiently, and have adapted and evolved over one thousand years to particular modes of being and operations appropriate for their varied, complex, changing and often contradictory tasks, which, after all, are significantly different than those carried out by for-profit businesses. There are genuine benefits to be had through the discussion, disagreements and compromises involved in collective decision making, especially in such a complex, political and value ridden environment as the university. Indeed, collegial, decentralised, networked and consultative types of management are very 'modern' and have been taken up by the private sector, particularly in high technology and information industries. Top-down approaches are increasingly questioned in management research. Some considerable benefits may be lost if collegial management of universities is disestablished altogether, and if scholars are marginalised in the proposed 'administrative councils'.

On the other hand, the case study on New Zealand shows there can be unexpected costs involved in increasing power in centralised management. The formal powers given to the president and to the dean of faculties appointed by the president under the NUS model may be exercised with restraint and accord with university traditions, but there is no guarantee of this. Instead, the outcome of a centralisation of management around the president may well see the growth of a bureaucracy that adds little value to the university; the growth in reporting and evaluation requirements, that again, often add little and inform little; the appointment of professional managers and management consultants with their discomfort with academic practises and values and a tendency to adopt the latest management fad; a mimicking of the excesses and corporate culture of business including increasing salaries for management staff and investing in expensive offices and other trappings of status; attempts to interfere in research and teaching; and a 'chilling' of academic freedom when comments or views of academics are seen to threaten the 'corporate' image. All these effects have been noted in New Zealand and elsewhere. If the economic models that underpin NPM and see humans and professional groups as opportunistic and rent seeking, then logic demands that human managers and managerial groups will sometimes act opportunistically and in their own interests. Arguments over the direction of universities to some extent reflect a power struggle: on one hand, the logics, values, beliefs and autonomy, interests and influence of the scholar and professional; and, on the other, the logics,

values, beliefs, interests and influence of the professional manager and public official. I suspect NPM models reflect the interests and beliefs of the latter. That managers have often emerged victorious in such struggles, particularly in the less prestigious universities, is not a good reason to assume this victory has always been the best outcome for universities as a whole.

Nor will academics simply accept change or management decisions if they do not see their benefits. Scholars are not noted for their retiring natures and may well fight top-down opposed changes that threaten their autonomy and the traditions of collegial management. The on-going industrial action that has been seen in New Zealand and elsewhere has sometimes derailed attempted reform and removed (or at least encouraged them to leave) Vice-chancellors and their appointees who were unwilling to work with the collegial culture of universities.

While MEXT and other's rhetoric may be of autonomy and independence, this is autonomy and independence (such as it is) at the institutional level only. This institutional autonomy is at cost to individual academic autonomy. Academics are to a large extent losing a considerable degree of the decision making power they currently exercise through the powerful faculty meetings and the council to a single individual, namely the president. As such, the NUC model involves a reduction in independence and autonomy for faculties and individual academics. If the logic of independence, autonomy, diversity and flexibility is applied consistently, then the NUC model should also strengthen individual academic autonomy and recognise the importance of the information, flexibility, expertise and benefits of 'time and place' that individual academics possess. It may be that increasing individual academic autonomy and the effectiveness of collegial and democratic elements in university management, rather than reducing them, may be a positive step and increase efficiency. If one problem is that the powerful faculty system can undermine university-wide policies, then university-wide councils, including ones that involve management decisions, with significant and possibly dominant academic representation, with members elected by staff, and with real decision making powers, could be a solution. It may be that the current Academic Council is too large and lacking effective executive power, and a smaller, directly-elected council (by the whole university staff, rather than having members representing faculties) with greater decision making power may be more suitable. Such a council could also have decision making powers in administrative matters, again in accord with the rhetoric of independence and autonomy. As academic staff will have elected elements of these councils they will have greater legitimacy in their eyes and in all likelihood be more effective in developing and carrying out solutions to institution-wide problems. In contrast, academic staff may resent and resist top-down imposed solutions that they had little say in developing or approving. It should be noted there have already been some direction of government funding to the central management of universities, which maybe a less radical means of supporting the development of university-wide policies.

The Approval of the Medium Term Plans and Evaluation

There are questions regarding the degree of autonomy that will be granted to universities under the NUC

plan. While continually discussing 'independence' and 'autonomy' the NUS plan also refers to the 'participation of the state as founder'. Universities will be evaluated on the basis of 'medium term plans' of six years which will developed from the 'medium-term goals' and stipulate ways to achieve these goals and provide other performance indicators. They will also develop annual plans based on the six-year plans. Formally, at least, the minister will develop the goals for the university, 'respecting' the drafts initially prepared by the universities. The newly-established National University Evaluation Committee within MEXT will also comment.

MEXT officials claim that it likely that the universities will develop the goals and plans, possibly with outside assistance and in consultation with the ministry. These will largely be accepted and approved by MEXT. The Ministry will still set the overall strategy for the university system will be able to set out guides and requirements for the goals and plans. However, as the minister is formally responsible for developing the goals and approving the medium draft plan and as the performance of the university is evaluated by the National Evaluation Committee, there is still considerable potential for interference in the management of the universities. Even if the National University Evaluation Committee is made up of non-MEXT officials (although it may include former MEXT officials) and will be required to 'respect' evaluations by NIAD, it will still be an agency within MEXT, and possibly subject to subtle and not-so-subtle pressures, or at least be seen to be susceptible to such pressures. Members will be appointed by the government. The minister and ministry may be able to influence both administration and research and teaching activities of the university, both through directly and indirectly influencing the goals and the content of the medium term plans, and through exerting pressure by the form and outcome of evaluations and the linking of funding to these evaluations. It seems unlikely that MEXT will entirely give up its directive role in the university system. This does not entirely accord with the rhetoric of independence and autonomy that had permeated the numerous reports on university reform and is potentially a threat to academic freedom. Japan has not proceeded down the path of separating tertiary funding and advisory agencies from the executive such as Britain and New Zealand that would give a greater degree of independence and autonomy to the universities, or at least the appearance of such.²

Evaluation as such is not something to be feared, and some evaluation of research and teaching should be expected for academics spending public money. Otherwise academics can become insular and arrogant and lacking in accountability for their actions. Autonomy has as its corollary responsibility, and responsibility includes accountability for one's performance and actions. Evaluation can reward success and encourage better performance, and make clear what is genuine excellence and what is simply a belief in excellence because of tradition, financial power and status. As such, some scholars will benefit from evaluations. For example, many scholars in New Zealand are happier that under the PBRF there will be a genuine evaluation of research quality and rewards for this quality. However, too much and too controlling a system of evaluation can be bothersome, resource consuming and counter-productive. This evaluation should also be by those best qualified and able to judge research and teaching – which is usually other scholars and teachers.

Such independent peer-review will also be a better protector of academic autonomy and freedom. How these evaluations are to be linked to funding should be clear and transparent and ensure that funding is actually allocated on quality rather than the arbitrary decisions of officials or historical perceptions of quality and status.

Transition to NUCs

There is a lack of clarity in important aspects of the NUC model. At the same time, the national universities seem slow to respond to the agenda for change. While discussions regarding increasing the autonomy of universities has been going on for decades, the transition from the proposed IAI model to the NUC model has been very swift by Japanese standards. While universities are busy responding to outside pressure for reform by engaging in mergers, increasing levels of internal evaluation and centralising and building up administrative staffs, the actual content of the NUC plan is still somewhat unclear, as are methods of evaluation that will be used, and the linkages that will exist between evaluation and funding. MEXT is reluctant to release their discussions regarding evaluation methods and seem somewhat unsure themselves of the aim and content of these evaluations and of the reforms in general, at least in their published documents. One suspects they will try to maintain the considerable discretion they currently exercise in funding and directing particular universities.

This uncertainty has created a degree of stress amongst the national universities. A survey of national universities by the Japan Association for National Universities in June 2002 found that most were confused and apprehensive about the changes, particularly about the lack of information that existed on the incorporation process and what the changes actually meant in terms of discretionary matters for the university (Yamamoto 2002). However what is also of concern was that a majority also requested guidance on the preparation of medium term plans, on staffing and pay issues, on standards for tuition and fees and on accounting systems. For institutions about to be responsible for preparing their goals and medium term plans (albeit with ministerial approval) and developing their management systems, many national universities seem ill-at-ease with this new found freedom, and fearful of what it might mean. Some elements of the government uncomfortable with too much university autonomy may see the unwillingness of the universities to take up the freedom offered as a reason to reassert control over aspects of university management. If the national universities are serious about gaining a greater degree of autonomy from the state, they should be proactive in developing management and financial systems, either individually or collectively through the Federation of National Universities, and shaping the pressure for change in ways that will benefit them and the university system as a whole.

6. Conclusion

The NUC model, while a positive development in that it gives greater managerial autonomy to the

national universities, is flawed in a number of ways. First, it does not clearly link its solutions to the problems in the universities noted through various reports and studies over the years. Instead, it reflects the new public management tendency to see problems largely as managerial ones and solutions as reforms along NPM lines, whatever the situation. Second, the NUS plan put too great a faith in the capacities of managers and the effectiveness of private sector management practices, despite little evidence that traditional collegial management structures are inefficient or less suitable for managing universities, or that top-down and private sector practices are more efficient. Indeed, there may be considerable costs with adopting NPM-type management in the universities, as seen in New Zealand and elsewhere. Third, despite the rhetoric of independence and autonomy, the actual independence and autonomy of individual academics may be reduced under the NUC scheme. If the rhetoric of independence is taken seriously, there may be considerable benefits to be had by increasing the role of scholars in management decisions and making central university councils more effective and powerful. Fourth, there is some concern over the extent to which the state may be able to interfere in the universities through the minister's and ministry's role in developing and approving the medium goals and medium-term plans, and in evaluating the universities. Finally, some national universities seem unsure how to react to the proposed plans and are hesitant to take the initiative to respond positively and proactively to the changes.

A state-directed university system, designed in the Meiji era to catch up with the developed world, may have served Japan well in the past. It may not be as suitable or flexible enough for a post-industrial or 'information-orientated' period where the Japanese economy has drawn level and overtaken much of the developed world. The world has become too complex and rapidly changing a place for a centrally directed, standardised and controlled university system. At the same time Universities should be able to stand apart from the state and society when necessary, and not be afraid to play the vitally important role of critic and questioner of accepted actions, norms, values and beliefs of government and society. A greater separation between the state and the universities would facilitate this process. However, the present the NUS plan does not give the benefits that a truly independent and autonomous university system, peopled by genuinely autonomous and independent scholars and teachers, might deliver for Japan.

Notes

- 1 There is some irony to this as many of the major changes were initiated or made by the previous Fourth Labour Government.
- 2 Although I have some concerns over the Minister being responsible for approving charters in the New Zealand system which gives similar grounds for interference. The Vice-chancellor of the University of Otago has also voiced concerns that TEC could involve itself in 'micro-governance' of the universities INL Newspapers. Otago vice-chancellor alleges discrimination 15 March 2003 . Available from <http://www.stuff.co.nz/stuff/0,2106,2330957a7694,00.html>.

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