

# The Governance of Public Universities in Australia: Trends and Contemporary Issues

---

V. LYNN MEEK AND MARTIN HAYDEN<sup>1</sup>

This chapter presents an overview of the governance of public universities in Australia. It begins with a brief history of developments during the past 50 years. This account is important in providing a context for the second part of the chapter, in which contemporary issues related to the governance of Australia's higher education system are addressed.

The chapter is written with the needs of a Canadian readership primarily in mind. For this reason, matters of fine detail are omitted and there is more of an emphasis upon historical developments than would normally be required. Throughout the chapter, references are made simply to the "Commonwealth", that is the government elected to the Federal Parliament in Canberra, and the "States", that is, the governments elected to the six State and two Territory Parliaments in Australia<sup>2</sup> – these are the equivalent of Provinces in Canada. As in Canada, the Australian federal structure involves the sharing of powers between two levels of government. In Australia, though, the Commonwealth is the dominant level of government across a wide range of areas. This dominance is especially evident in relation to Australian higher education.

There are many useful introductions available in relation to higher education in Australia.<sup>3</sup> In brief, it is a national system of 39 universities, 37 of which are public universities in the sense that they have traditionally relied upon public funds for their existence.<sup>4</sup> It is a relatively homogeneous system, that is, all universities offer programs across a wide range of disciplinary and professional fields, all are entitled to offer awards up to PhD level, there is no formal stratification of institutions<sup>5</sup> and there is no formal streaming of students. Australia's universities are relatively autonomous – each has a governing Council with powers that permit a high level of independence in the accreditation of academic programs and the management of resources. Each Council is accountable under State or Commonwealth<sup>6</sup> legislation for discharging governance responsibilities. Australia's universities receive about 40 per cent of their funds from the

Commonwealth (this figure increases to 56 per cent if calculated net of transfer payments from the collection by the Commonwealth of Higher Education Contribution Scheme charges to students).<sup>7</sup> The remaining funds come mainly from fee-paying Australian and international students, from research activities and from returns on the investment of capital assets. About 18 per cent of Australians have a university degree, which compares favourably with the OECD average of 14 per cent, but is below levels for the United States (27 per cent), Norway (25 per cent), the Netherlands (20 per cent) and Canada (19 per cent).<sup>8</sup> Rapid growth in student numbers is an enduring characteristic of the system. Over the period from 1991 to 2000, for example, there was a 30 per cent increase in student numbers – among domestic students the growth rate was 19 per cent, while among overseas students the growth rate was 223 per cent. A contemporary feature of the system is its growing dependence upon fee income from overseas students. Approximately 23 per cent of all students are international students – which is considerably higher than for nearly all OECD countries.<sup>9</sup> In addition, therefore, to serving the higher education needs of an Australian community of 20 million people, the system is now also responding on a fee-for-service basis to the higher education needs of many overseas communities, principally in Asia. In 2002, international education was Australia's third-largest services export earner.<sup>10</sup>

### **Historical Setting**

By the late 1930s, each of the six State capital cities in Australia had its own university.<sup>11</sup> These universities were developed separately and functioned largely in isolation from one another. There was virtually no movement of students between them. Members of academic staff were recruited from Britain, or were Australians who had gained their qualifications in Britain. Though an Australian Vice-Chancellors' Committee was established in 1920, there was little or no sense prior to the Second World War of a national system of higher education in Australia. Universities, like all other forms of public education, were solely the responsibility of the States.

The War resulted in an unprecedented injection of Commonwealth funds into universities. More importantly, it raised public awareness about the social and economic value of science and technology. Shortly after the War, the Commonwealth established the Australian National University for the purposes of furthering research and postgraduate study. In 1949, the State of

New South Wales established a second university in Sydney – this university was to have a focus on technology.<sup>12</sup>

Over the period from 1949 to 1972, a coalition of conservative parties formed successive Commonwealth governments. During this period, the Commonwealth contributed strongly to the growth of higher education. In the mid-1950s, a Committee appointed to inquire into the future of Australian universities recommended that the Commonwealth should become more involved in the affairs of universities, particularly with regard to finance and development, and that an Australian Universities Grants Committee should be established to advise the Commonwealth on university matters, including funding. In 1959, the Commonwealth established the Australian Universities Commission – the first statutory education authority established in Australia for the purposes of acting as a 'buffer' between higher education and government. By 1960, there were 10 universities in Australia.<sup>13</sup>

In 1961, another Committee appointed by the Commonwealth to inquire into the future of higher education recommended the creation of a new sector, comprising colleges of advanced education, as an alternative to the further expansion of the university sector. Colleges were differentiated from universities by their function: vocational and teaching-oriented colleges on the one hand, and academic and research-oriented universities on the other. These new institutions came into existence in 1965. The binary system was to remain in existence until 1988.

In 1972, the Labor party was elected to form government at the Commonwealth level – the first Labor government since 1949. It implemented a sweeping range of social and economic reforms, before its untimely replacement in 1975 by a conservative government. In the field of higher education, two decisions implemented in 1974 had far-reaching consequences for higher education. The first was a decision to abolish student tuition fees for all higher education courses. The second was a decision that the Commonwealth should accept nearly all of the financial responsibility for higher education from the States. The latter decision changed irreversibly the extent of Commonwealth influence on higher education.

During the 1970s, the colleges of advanced education progressively shed many of their responsibilities in the sub-diploma fields of education and assumed a more prominent role in providing degree-level and postgraduate programs. A Technical and Further Education sector, supported by the States, developed to fill the vacuum. By 1977, the Commonwealth had three statutory education authorities acting in a 'buffer' capacity – a Universities Commission, a Commission on Advanced Education, and a Technical and Further Education Commission. In 1977, the Commonwealth established the Commonwealth Tertiary Education Commission (CTEC) to replace these three authorities. Its brief was to ensure "balanced and co-ordinated development" across the three sectors of tertiary education.<sup>14</sup> By 1978, there were 19 universities, 70 smaller colleges and almost 400 quite small Technical and Further Education colleges.<sup>15</sup>

In 1978, another Committee appointed by the Commonwealth to inquire into higher education addressed, amongst other things, the possible rationalisation of the system – though there was no suggestion of the need to replace the system's binary structure. Its recommendations resulted in a lengthy consultative process. In 1981, the Commonwealth pre-empted the consultative process by announcing abruptly that, as a cost-saving measure, 30 colleges of advanced education had to amalgamate or else receive no further Commonwealth funding. By 1983, the higher education system was comprised of 19 universities and 47 colleges of advanced education.

In 1983, a Labor government was re-elected, and it remained in power until 1996. In 1985, the Commonwealth Tertiary Education Commission conducted a review of the efficiency and effectiveness of the tertiary education system and recommended important modifications to the system, but not any change to its tri-sectoral structure. In 1987, the Commission suggested the creation of yet another committee, this time to review the binary structure of higher education. By this time, the Commonwealth was interested in more radical reforms. In 1987, it abolished the Commission and transferred its advisory (but not its coordinating) role for higher education to a new advisory committee called the Higher Education Council. The Commission's coordinating role was transferred to the Department Employment, Education and Training (DEET), a new 'super department' established by merging a range of other departments and authorities. Universities and colleges were now required to negotiate directly with the Commonwealth through DEET, rather than through a 'buffer' body.

In 1988, the Commonwealth abolished the binary distinction between universities and colleges, and replaced this structure with a "unified national system" of 35 universities, created through amalgamations with existing universities and the enactment of State legislation to establish new universities.<sup>16</sup>

In 1989, the Commonwealth introduced the Higher Education Contribution Scheme (HECS), requiring all students to make an equal contribution (of less than 20 per cent) to the average cost of their studies – with an option to defer payment of the contribution until they entered employment and were earning above a threshold level of income. This initiative was a significant innovation that has subsequently been copied in many other parts of the world. Its precursor was a Higher Education Administrative Charge, introduced in 1986, which imposed a small charge on all students. The significance of the Administrative Charge is that it ended Labor's opposition since 1974 to a user-pays system for funding higher education. The HECS initiative in 1989 was combined with the removal of restrictions on universities from enrolling fee-paying overseas students and the introduction of a variety of provisions to deregulate the system. Universities were made more accountable for their expenditure of Commonwealth grants, and there was an indication of intent to introduce performance-based funding to the system. Further changes were made in 1994 to expand fee-paying options for domestic students seeking to undertake postgraduate courses.

In 1996, a Liberal/National conservative coalition was elected to government and has remained in power since then. The Commonwealth budget statement in 1996 introduced significant new cost-saving changes to higher education, including an increase in the HECS charge (requiring a contribution of 20 per cent of the average cost of studies), the introduction of three different HECS payment bands, the setting of a substantially lower income threshold for the repayment of HECS, the introduction of an option for fee-paying domestic students to undertake undergraduate courses, and the phased removal of government financial support for postgraduate coursework enrolments. In addition, the Commonwealth signalled the reduction of operating grants to universities by 5 per cent over three years, and indicated that it would provide no financial supplementation for academic salary increases.

In 1998, a Committee appointed by the Commonwealth to report on higher education financing and policy simply restated the policy perspectives of the government. On the matter of funding, for example, the Committee argued: "The present funding framework does not assist, or provide incentives for, institutions to manage effectively. Governance structures hamper management and there are no incentives for institutions to be aware of their costs or to minimise them."<sup>17</sup> Also in 1998, restrictions on the ability of universities to charge fees to domestic undergraduate students were further lifted. Universities were now permitted to enrol up to 25 per cent of domestic undergraduate students in a course on a full-fee-paying basis. In fact, less than one per cent of domestic undergraduate students ever took advantage of this option, though in some individual high-demand courses the rate of take-up may have been two or three times higher than this.

In 1999, a fully performance-based funding approach was introduced for research and research training in Australian universities. This approach was consolidated in 2001 with the introduction of a national competitive research grants system, the establishment of the Australian Research Council as an independent statutory authority responsible for the national allocation of research funds, and the provision of a substantial boost to research spending under a policy entitled, *Backing Australia's Ability*.

In 2000, there were further changes to HECS. These raised the contributions students were required to make to approximately 32 per cent of the average cost of studies.

In 2002, the Commonwealth Minister for Education, Science and Training conducted a review of the higher education sector to determine areas in need of further change. The review involved the production of a series of discussion papers, followed by extensive consultation with universities, student groups and other stakeholders. A conclusion reached was that "the current arrangements for funding universities were not sustainable and would, in the longer term, lead to an erosion of the excellent reputation of our universities".<sup>18</sup> This conclusion was not interpreted as implying that the Commonwealth should be investing more heavily in Australia's university system. Rather, it was the basis for the Commonwealth arguing that the users of the higher education system, that is, students, should be paying more – and that even more efficiencies within the system were required.

Late in 2003, the Commonwealth approved an extensive package of higher education reforms for implementation from 2005, including provisions permitting public universities to enrol up to 35 per cent of domestic students in a course on a full-fee-paying basis, introducing a new loans program to enable all domestic full-fee-paying students to borrow funds to finance their studies, and making additional Commonwealth funding for individual universities conditional upon compliance with prescribed governance protocols and the provision of choice for staff in relation to participation in industrial agreements. The reforms also provided for further expansion of the number of Commonwealth-funded places in higher education over coming years, and for the establishment of a number of specific programs to allocate funds to specific target areas in higher education (for example, improvements in the quality of teaching and curriculum, increased participation in higher education by Indigenous peoples, incentive schemes to encourage workplace reforms consistent with Liberal-National coalition policies on labour market deregulation).

Importantly, significant changes were made to HECS, for implementation in 2005. The three different payment bands approved in 1996 "to reflect more appropriately the balance of public and private returns to higher education, the relative costs of courses and the earning potential of graduates in particular fields"<sup>19</sup> were retained. The low-cost band included Arts, Social Science, Education and Nursing. The high-cost band included Law, Medicine and Dentistry. From 2005, universities were to be permitted (except in two national priority areas, Nursing and Education) to add a premium of up to 25 per cent to the charge imposed within these HECS bands.

Approximately one-half of all universities have opted to impose the premium, which has not been popular with students. The stated intention for this Commonwealth's policy was that: "As student contribution levels vary between courses and higher education providers, higher education providers will become more competitive in terms of cost and quality, and will focus more on what is important to students."<sup>20</sup> Students continue to have a choice of paying their contribution up-front upon enrolment (thereby receiving a 20 per cent discount) or later on through the income tax system once their income reaches a threshold level.<sup>21</sup>

A further change of long-term significance to the system is that from 2005 the Commonwealth will fund approved target student loads for each university across a range of twelve funding

clusters, with the largest contribution per equivalent full-time student load going to Agriculture (A\$15,996) and the smallest contribution per equivalent full-time student load going to Law (A\$1,472). This change sharpens the focus of the contract between the Commonwealth and individual universities. It also means that the Commonwealth will be better placed to determine funded student load profiles across the system.

An undertaking given in the 2003 budget statement that the Minister would review the cost adjustment indexation mechanism for universities has yet to be addressed by the Commonwealth. Since 1996, the Commonwealth has not been applying a realistic cost adjustment indexation mechanism to higher education, resulting in a steady decline in real levels of public expenditure on higher education. It is estimated that in 2003, for example, the shortfall in funding for universities in terms of what they should have received from the Commonwealth had an appropriate index been applied was as much as 10 per cent.<sup>22</sup>

### **Contemporary Issues in Higher Education Governance**

In selecting contemporary issues in higher education governance for discussion in the remaining part of this chapter, consideration has been given to striking a balance between, on the one hand, the gravity attached to certain issues by various stakeholders in Australian higher education, and, on the other hand, the need to address topics identified as being of interest to a review of the design and funding of the post-secondary education system in Ontario. The issues selected for consideration attempt to meet both sets of needs.

#### *1. From New Public Management to Neo-Liberalism: The Increasing Importance of the Market*

Commonwealth approaches to the management of higher education in Australia have changed markedly over the past two decades. The period from the mid-1980s to the mid-1990s was one in which precepts of *new public management* impacted forcefully on higher education. Since then, *neo-liberalism* has become the dominant public policy ideology. A trend that is clearly evident over the period is the increasing reliance on the market as a mechanism for decision making about higher education. The system of public universities is no longer thought about as being 'publicly supported', but is instead regarded as being 'publicly subsidised'. The normative

question is: at what point does this trend go too far? The weight of opinion within the sector, as expressed by bodies such as the Australian Vice-Chancellors' Committee, is that the trend has already gone far enough.

In 1983, after eight years in opposition, Labor returned to power with a strong desire to portray itself as a sound and responsible economic manager. A particular commitment was the reform of the public service. In 1984, an initial wave of legislation was enacted to increase ministerial control of the public service and introduce merit-based processes for appointments to senior levels of the service. In 1987, following its re-election, a second phase of reform was initiated. In a move clearly intended to allow direct ministerial control over the implementation of social and economic policy, the number of independent statutory authorities in existence was slashed and many of their functions were given back to departmental heads, reporting directly to Ministers. These measures were implemented in the belief that "for many purposes government departments have the decided advantage of making the relevant Minister directly responsible for the effectiveness and efficiency of administration and of saving costs through the use of long established administrative machinery ...".<sup>23</sup> One authority that was quickly 'axed' following the 1987 elections was the Commonwealth Tertiary Education Commission.

The approach to public service management adopted by the Commonwealth at the time was by no means unique to Australia and has been labelled *new public management*. The approach entails "a preference for market mechanisms of governance, more business-like management of public agencies, the minimisation of public bureaucracy, a focus on clear responsibility and accountability for results and the empowerment of consumers of governments services".<sup>24</sup> It did not take long for this approach to impact on universities. From 1989 onwards, universities were required to negotiate directly with the Commonwealth for resources and were made more directly accountable for the expenditure of their Commonwealth grants. University managers were prevailed upon to adopt the tools of *new public management*, including mission statements, performance indicators, outcomes-based evaluation processes, systems for continuous improvement, and so on. Universities began to be discussed using market analogies. Vice-chancellors came to be widely referred to as chief executive officers. Academic staff willing to undertake executive and senior management functions within universities began to be offered attractive salary packages for doing so. A rhetoric about students as consumers became

widespread. The trend was fuelled by the parallel development after 1989 of a market-oriented approach to the recruitment of fee-paying overseas students. A national process of institutional quality reviews implemented by the Commonwealth from 1993 to 1995 provided further strong reinforcement – in large part because of the emphasis placed upon being able to produce documentation that provided evidence of the existence of a vision, mission, goals, performance indicators and client feedback.

In 1996, following the Liberal/National coalition's return to government, a new and additional dynamic became evident – the coalition's all-pervading commitment to the ideology of *neo-liberalism*, that is, a public policy agenda characterised by the desire to extend market relationships and private ownership to all areas of social and economic activity. Its principal manifestations in higher education since 1996 have included a marked increase in the extent to which students are being made responsible for the cost of their studies, a heightened expectation of accountability by universities to the Commonwealth for their expenditure of operating and other specific Commonwealth grants, an increased tendency for the Commonwealth to provide funds tied to specific priorities or intended to be spent in particular ways that support the social and economic priorities of the government, and an increase in the level of pressure on universities to be entrepreneurial in the pursuit of resources required to remain financially viable. A further manifestation is a pre-occupation by the Commonwealth with the progressive elimination of all forms of collective bargaining by the major national union representing university employees, and with workplace-based reforms to employment practices that will result in increased efficiencies in the utilisation of public funds.

It is in relation to the funding of higher education that one of the most significant manifestations of *neo-liberalism* is to be found. Australian higher education is predominantly 'public' – there are 37 public universities and only two private universities, both quite small. The system's public status derives from the fact that its assets are publicly owned and that it has always been publicly funded. Since 1988, however, and particularly since 1996, there has been a marked diversification in the funding base of the system. In 2003, for example, the system received only 40 per cent of its funds in the form of Commonwealth grants. In 1989, by comparison, the system received 70 per cent of its funds in the form of Commonwealth grants.<sup>25</sup> Further, the value in constant dollars of the Commonwealth's operating grant for higher education fell each

year over the period from 1996 to 2002.<sup>26</sup> An indication of how these trends, particularly since 1996, are linked with *neo-liberalism* is provided by the fact since 1996 there has been a substantial growth in Commonwealth subsidies for private schools in Australia. Approximately one-third of all school students in Australia attend a private school. Over the period from 1996 to 2000, Commonwealth funding per university student fell by 19.2 per cent, but Commonwealth funding per private school student increased by 21.4 per cent.<sup>27</sup> The Commonwealth's obvious support for private education is evident in these figures. Its record in relation to public higher education suggests strongly that it would prefer to see the system privatised. The Commonwealth is providing increasingly generous public subsidies to private higher education providers, and it has even indicated tacit support for the presence of private overseas universities in Australia.

The effects of *neo-liberalism* on Australia's public universities will be better understood over coming years as the range of Commonwealth initiatives announced in 2003 are implemented from 2005 onwards. It is evident, however, that *neo-liberalist* ideology has already resulted in a striking deterioration in teaching and research infrastructure over recent years, with adverse effects as a consequence on the quality of academic life for staff and students. Staff-to-student ratios in universities are also deteriorating; there is an increasing reliance upon casual academic staff appointments; academic salary levels as a proportion of average weekly earnings are in steady decline; and there is a reduced range of opportunities for academic staff to engage in research. At the same time, universities have proven themselves to be remarkably resourceful in finding new non-government sources of funding, particularly from the sale of services overseas and from the commercialisation of research. No doubt, the additional scope for them to earn more revenue from increased HECS rates and from fee-paying domestic students will confirm their resourcefulness. As the Australian Vice-Chancellors' Committee has warned, however: ". . . the direct fee income paid by students and their families can never be a complete substitute for investment by the government in the infrastructure and resources (human and capital) that is fundamental to ensuring quality outcomes in teaching and learning."<sup>28</sup> More broadly, there is concern that the premises of *neo-liberalism* are incompatible with the nature and purposes of universities. A university system that is "expected to behave like ordinary profit-seeking businesses, utilising corporate management practices, serving consumers in markets, seeking

measurable productivity improvements and producing services with controllable quality attributes" may not be addressing its core values and purposes.<sup>29</sup>

## *2. New Sensitivities in Commonwealth-State Relations: Issues of Control and Ownership*

Historically and constitutionally, public education in Australia is a matter for the States. As a consequence, the States have a wide range of responsibilities for Australia's public universities. These responsibilities include legislative control, ownership of land and capital assets, controls on the use of terms such as 'university' and 'degree', as well as a range of statutory requirements relating to industrial matters and the governance of individual institutions, including the appointment of governing councils.<sup>30</sup> Since 1974, however, when the States ceded financial responsibility for higher education to the Commonwealth, the Commonwealth has been the dominant partner affecting the growth, structure and processes of the sector, though its power has never been absolute because of the wide range of legislative and proprietorial responsibilities of the States. Most recently, a debate has been triggered by a suggestion from the Deputy-Premier of New South Wales, Australia's most populous State, that full responsibility for all 11 of that State's universities should be handed over to the Commonwealth. While other States and the Australian Vice-Chancellors' Committee promptly opposed the proposal, the Commonwealth Minister has expressed an interest in the idea. The issue of Commonwealth-State responsibilities for universities is once again in the limelight. Any change from the existing situation of shared responsibility by both levels of government for higher education would have a dramatic effect on university governance.

In 1991, State and Commonwealth Ministers of Education considered but rejected the option of allocating full responsibility for higher education to the Commonwealth. A working party report accepted by the Ministers stated that: "Although this model is consistent with the national interest, it was recognised that universities also have a role to play in contributing to State economic and social development, particularly in the provision of a skilled workforce. Further, the interfaces of the higher education system with State-based school, TAFE and training systems necessitate a degree of State involvement in higher education policy and planning processes".<sup>31</sup> The Ministers agreed that higher education should be classified as a Shared Responsibility Program, requiring effective Commonwealth-State consultative processes,

simplified and efficient funding and accountability systems, and a more uniform approach to financial management and other controls on higher education institutions. The Commonwealth would retain primary responsibility for funding higher education, but the States should be able to develop their own priorities within the framework of national priorities, and they should continue to have legislative responsibility for the establishment and oversight of higher education institutions and the maintenance of standards through controls on the use of terms such as 'university' and 'degree'. A process for streamlining payments by the Commonwealth to universities was also agreed. Instead of the Commonwealth paying university operating grants to the States, which then passed the funds on to individual universities according to Commonwealth specifications, under a new arrangement, implemented in 1993, the Commonwealth would pay the operating grants directly to the universities. At the time, some States were "concerned that direct payments may alter the relationship between the Commonwealth, States and institutions, and undermine the capacity of the States to fulfil their Constitutional responsibility for education".<sup>32</sup> These concerns were, however, in the minority.

During the past decade, expenditure by the States on higher education has been modest, never moving much above 1.5 per cent of total higher education revenues. Since 2001, however, the proportion of university funds received from the States has been increasing. In 2002, for example, the proportion was 4 per cent<sup>33</sup> – and the trend since then has been upwards. This sharp increase in financial support from the States for universities has been more pronounced in some States, notably Queensland, Western Australia and Victoria, than in others. Individual States have ambitious plans to promote economic and social innovation in the context of an increasingly competitive global knowledge-based economy, and universities are regarded as being critical partners in these initiatives. The States also have an interest in universities because of their importance as a destination for larger and larger proportions of young people completing the final year school, and because universities are necessary as partners in addressing labour market shortfalls in the number of trained teachers and nurses – the States are primarily responsible for providing employment opportunities in these professional areas.

The States also have an interest in shared Commonwealth/State approaches to accreditation and quality assurance in higher education. This was the topic for discussion at a meeting of the State and Commonwealth Ministers in 2000 when they agreed to a set of national protocols for the

establishment of new universities, and to the establishment of an Australian Universities Quality Agency (AUQA). The Agency, which came into existence in 2001, is responsible to Commonwealth and State Ministers for promoting, auditing and reporting on quality assurance in Australian higher education. It conducted its first institutional audits in 2002. Further audits have been undertaken since then – at a rate of seven to eight universities per year. These audits have as their focus the quality assurance processes of a university, rather than the quality of teaching and research. By 2005, all universities will have been audited, and then the cycle of institutional audits will begin again. The audit process is an important mechanism for accountability within the Australian higher education system. Transparency is provided by the publication of all institutional audit reports.<sup>34</sup>

Universities, as independent statutory bodies, are accountable to the State in which they have been established for their financial administration and audit. While requirements vary from State to State, universities are generally required to produce an Annual Report for tabling in the relevant State Parliament, and they must also produce audited financial statements and performance information for consideration by the relevant State Minister. Universities are subject to State regulations in relation to undertaking commercial activities, and they may not dispose of assets, especially land, without approval of the relevant State authorities.

Universities are also accountable to the Commonwealth. The main instrument of accountability to the Commonwealth is the "educational profile", a document produced annually to provide a basis for funding decisions for the following year. The document requires: (a) details of strategic planning, (b) a Research and Research Training Management Report, (c) data on the allocation of funded student load to places in courses, (d) a capital asset management plan, (e) an equity plan, (f) an Indigenous education strategy, and (g) a quality assurance and improvement plan. In practice, funding decisions are made on the basis of an historical input-based funding model and very little turbulence occurs within the system as a consequence of unexpected reallocations of student load. The new arrangement of funding student load within cluster groups will provide the Commonwealth with considerably more transparency than in the past regarding the load distributions within universities. It may eventually result in an increase in the incidence of load-shifting between universities by the Commonwealth.

Universities are responsible to the Commonwealth for the provision of audited financial statements for the previous calendar year. They must also provide annual statistical returns, and separate acquittal statements are required for all Commonwealth grants made for specific purposes.

Though it is not entirely clear what the motivation was for the Deputy-Premier of New South Wales to offer to transfer all responsibility for State-based universities to the Commonwealth, it is inconceivable in the current environment that most States would be willing to transfer ownership of these valuable assets to the Commonwealth without the guarantee of substantial compensation. It is equally inconceivable that an arrangement whereby some States handed over all responsibility, but not others, would be stable for long. The sector itself is unlikely to be enthusiastic about any transfer of ownership given the Commonwealth's current ambivalence to the importance of providing strong financial support for a public system of universities in Australia. The fact that the States have ownership rights in relation to the system is placing a powerful check on the Commonwealth's desire to control the system.

### *3. Institutional Governance: An Area of Increasing Political and Institutional Interest*

There has been a remarkable increase of interest in university Councils during the past decade. There was a time when Councils were largely invisible, addressing at a leisurely pace the need to provide final approval to university documentation and to address prudential considerations related to the plans brought forward by the administrative machinery of the university. This situation has dramatically changed. University Councils are becoming the focus of increased interest within universities because of the importance of the decisions they are increasingly being required to make. They are also becoming of considerable political interest, especially to the Commonwealth, because of the considerable delegation of authority to them by the States.

Except in the case of the Australian National University, Councils derive their authority from State legislation. The legislation provides them with considerable scope to affect the management, academic profile and internal quality assurance processes of a university. Of special importance is that, as trustees for the State, they can buy property, form companies, enter into partnerships, approve and grant academic awards and, most importantly, appoint the vice-

chancellor. Since 1995, when the first substantial report was produced on university Councils, various official documents have catalogued perceived weaknesses. That first report identified the need for them to have, amongst other things, an explicit set of responsibilities, a threshold level of professional knowledge and skills commensurate with the task of governing complex institutions, a strategic focus in their deliberations, and a more refined sense of their role in relation to asset and risk management.<sup>35</sup> Also identified was the need for university Councils to be smaller in size, preferably with 10 to 15 members, for external members to out-number internal members, and for potential external members to be identified through an independent professional process.

Since that report, Councils have engaged in a process of reform that has resulted in smaller memberships of about 21, on average, and increased thoroughness in the selection of external members.<sup>36</sup> Examples of 'best practice' are being widely produced, and annual conferences are now routinely being convened to facilitate benchmarking across universities. There are, nonetheless, perennial problems affecting Councils. Within the past few years, for example, there have been well-publicised instances of factionalism within Councils and of intense conflicts between Councils and the senior academic management of universities. Further, there are continuing expressions of concern that Councils are not well equipped to respond promptly and decisively to change, and that Council members have a great deal of difficulty in being properly informed about not only the operations of a university but also about the activities of its controlled entities.<sup>37</sup> Membership of university Councils in Australia remains a form of honorary public service. In some States, members of the State Parliament are appointed as members. In most States, the membership includes a Chancellor (as chair), a Deputy-Chancellor, the Vice-Chancellor, the chair of the Academic Board or Senate, a group of members appointed by the Council itself, a group of members appointed by the State, and a small group of members elected by university staff members and students.

Because Councils appoint (and can dismiss) the Vice-Chancellor, they have a pervasive influence on the culture of a university. This influence has for a long time gone unnoticed in most university communities. Recent celebrated cases of Councils acting decisively to dismiss their Vice-Chancellors have provided a reminder of the strength of the latent power of a Council. Most recently, Councils have been in the public limelight because they have had to sign off on

important decisions affecting the welfare of students and the financial health of their institution. It has been for Councils to decide, for example, whether or not to charge the premium of an additional 25 per cent on the HECS rates for students. Councils have had to decide whether or not to admit fee-paying undergraduate domestic students, and, if so, in what proportions. These decisions have attracted extraordinary attention, no doubt because they have touched a raw nerve with students, who are spending longer hours in paid employment than ever before in order to meet their living expenses. A recent national survey reported, for example, that seven out of every ten students at university were in paid employment during university semesters – an increase by about one-half since 1984.<sup>38</sup> Among full-time students, the average number of hours worked by those in paid employment during semester was 15.5 hours per week – a three-fold increase since 1984. About 20 per cent of respondents in paid employment during semester reported that work adversely affected their study 'a great deal', and about 10 per cent reported that they 'frequently' missed classes because of paid employment during semester.

In 2003, the Commonwealth introduced a statement of National Governance Protocols for Higher Education, with which universities must comply in order to secure additional Commonwealth funds.<sup>39</sup> These identify generically the main responsibility of university Councils and require that individual members of Councils should be aware of their duties. Of note is a requirement that Councils must make available a program of induction and professional development for its members, and that the size of the Council must not exceed 22 members.

A continuing issue with university Councils concerns the matter of who owns universities.<sup>40</sup> Though at one level this question invites speculative thinking, at another level, that is, in trying to resolve whose interests should primarily be considered in making decisions at a Council meeting, the question is quite practical. Technical considerations are mainly influential in instances where a decision is one requiring the assessment of risk against a given set of standards, for example, published accounting standards. Many decisions are not so technical, however. In deciding about the appointment of new members, for example, even though there are general prescriptions about the matter in the National Governance Protocols, considerations related to the needs of the many stakeholders in a university need to be pondered. Is there an obligation to make decision in light of the value of the university to the Commonwealth, the

State, the university community, the regional community or the world community? These are matters that relate to notions of ownership of a public university.

#### *4. System Governance: Direct Ministerial Control*

A recent Commonwealth discussion paper on higher education governance states that: "Over the years Australia has experimented with 'buffer' bodies responsible for making decisions on the allocation of student places and funding, or for advising the Government on policy. Australia does not currently have such a body."<sup>41</sup> This statement reflects a serious loss of memory: Australian higher education had almost three decades of experience with 'buffer' bodies in higher education – from 1959 until 1987. What the statement is really expressing is a complete disinterest on the part of the Commonwealth in ever again having a 'buffer' organisation between it and universities. The reasons for this disinterest, while they may relate to the perceived deficiencies of the Commonwealth Tertiary Education Commission during the years immediately prior to its demise in 1987, more likely reflect a desire on the part of the Commonwealth to be able to exercise direct Ministerial control over universities whenever considered appropriate. Somewhat contradictory, however, is the fact that in 2001 the Commonwealth established the Australian Research Council as an independent statutory authority to act in a 'buffer' capacity between it and the universities in relation to research and research training. Research is not the main area of public expenditure on higher education, however, and in any case decision making by the Council must take place within a framework prescribed by Commonwealth policies, which include the creation of national research priority areas and further enhanced competition and selectivity in research funding both within and between universities.

One of the major challenges of a 'buffer' organisation between the Commonwealth and the universities is that it must also accommodate the needs of the States. The Commonwealth Tertiary Education Commission, during its existence from 1977 to 1987, developed a complex system of 'consultative arrangements' that allowed it to respond to both levels of government. Marshall describes these as follows:

- At the beginning of each triennium state authorities and institutions prepared forward proposals which were presented to the relevant sectoral council for consideration. The

reports of the three councils were then worked into a comprehensive policy statement by CTEC which was known as Volume 1. Volume 1 was submitted to the Commonwealth Minister for Education who consulted with her state counterparts before taking a final proposal to the cabinet table. The decisions made by cabinet were termed the 'guidelines' and constituted CTEC's policy directives. The guidelines became the subject of further negotiation between the Commission, the advisory councils and other bodies before specific measures were finalised in Volume 2 which outlined the implementation programme.<sup>42</sup>

This complex process of consultation resulted in protracted negotiation and meant that decisions, when finally taken, were the product of a considerable amount of compromise. Marshall reports that the process worked well for many years because it "fostered a stable and predictable policy environment" and was "internally flexible", and because for many years the Commission had "a monopoly of funding, expertise and authority". During the early 1980s, this monopoly was challenged. First, the Commonwealth became convinced that the higher education system could contribute more effectively and directly to national goals than was happening under the Commission's supervision. Second, other agencies, including government ministries and other statutory authorities, developed a view that the higher education system was important to the realisation of their organisational goals, and so new, disparate and complex pressures from within government came to bear upon the Commonwealth's 'guidelines' issued to the Commission. Third, the Commission itself became overloaded with intractable demands, such as having to restrain the growth of new funded places in higher education because of budgetary constraints imposed by the Commonwealth, while at the same time seeking to achieve equity goals through improvement in the participation rates of disadvantaged groups. Finally, the lengthy consultation process that was once a source of stability and strength became cumbersome against the background of a pressure for rapid political change.

Though the prospects of re-establishing a statutory authority like the Commission to act in a 'buffer' capacity between the Commonwealth and universities now seem remote, there are strong supporters of the return of such a body. One of these, the founding Chair of the Commission, has proposed establishing such a body "to promote the plurality of priorities among universities, to ensure their institutional independence, and to provide the Commonwealth Government, the universities themselves and the wider public with a source of objective advice on university

matters".<sup>43</sup> It is of interest that New Zealand, a nation that shares much in common with Australia, has recently established a Tertiary Education Commission with a mandate to implement the government's tertiary education strategy, allocate funds to tertiary education organisations and advise the government on policies. The Commission, a statutory authority, has a Board of eight Commissioners with backgrounds that are broadly representative of the range of public stakeholders in tertiary education.

## **Conclusion**

This chapter has sought to present an overview of the governance of public universities in Australia. It has located this overview within the context of the system's historical development. A characteristic of the story not explicitly addressed in this chapter but nonetheless critically important is the extent to which reformist Ministers at the Commonwealth level have sought to leave their mark. Ministerial ambitions continue to be constrained, however, by a curious feature of the Australian higher education system whereby responsibility for public universities is shared between the Commonwealth and the States. A critical issue for the future will be the willingness of the States to cede all of the responsibility, not just the financial responsibility, for public universities to the Commonwealth.

An even more critical issue concerns the need for points of view in addition to the Commonwealth's to have an influence on the policy debate. A feature of the past decade is the extent to which the current Liberal/National coalition government is single-handedly re-shaping Australia's public university system according to the ideology of *neo-liberalism*. As a consequence, the system is becoming rampantly market-oriented and increasingly utilitarian. It is the case that, as Professor Peter Karmel, the founding Chair of the former Commonwealth Tertiary Education Commission, has observed: "Commonwealth policy appears to have been built on assumptions about the nature and purposes of universities that, at the very least, are debatable."<sup>44</sup> It is regrettable, though, that there is now no proper set of inclusive advisory structures that provide a forum for this debate. The Commonwealth's approach is increasingly to interpret its political mandate as an endorsement to pursue a single vision. Ironically, as more and more of Australia's public universities are weaned off Commonwealth financial support – some already receive less than 20 per cent of their total revenues from the Commonwealth, the

stage is set for them to begin to reject Commonwealth control of their activities. The consequences of this kind of development are unpredictable. As argued above, it is doubtful that the Commonwealth will ever again restore a 'buffer' body like the former Commonwealth Tertiary Education Commission to allow a distancing of the system from the changing fashions of politics, or to bring cohesiveness to the system. In the absence of such a body, however, new ways will need to be found to enable Australia's public universities to continue to be valued for their contribution to the public good. In this regard, the Australian system of public universities may have a good deal to learn from Canadian experience.

- 
- <sup>1</sup> Professor Lynn Meek is Director of the Centre for Higher Education Management and Policy, University of New England, Australia, and Professor Martin Hayden is Professor of Higher Education and Head, School of Education, Southern Cross University, Australia.
- <sup>2</sup> The States are New South Wales, Victoria, Queensland, South Australia, Western Australia and Tasmania, and the Territories are the Australian Capital Territory and the Northern Territory.
- <sup>3</sup> See, for example, Brendan Nelson, *Higher education at the crossroads: An overview paper* (Canberra: Commonwealth Department of Education, Science and Training, 2002). See also the Australian Vice-Chancellors' Committee web site at <http://www.avcc.edu.au/content.asp?page=/universities/overview.htm>
- <sup>4</sup> In the case of 36 of these universities, their assets are also publicly owned. In the case of one public university, the Australian Catholic University, the Catholic Church owns the assets but the Commonwealth Government is the main source of funds. The two private universities, Bond and Notre Dame, are quite small.
- <sup>5</sup> There is a quite pronounced informal stratification. The eight longer-established universities comprise a grouping of research-intensive universities. Five former city-based Institutes of Technology comprise a grouping of technology-based universities.
- <sup>6</sup> The only university now established under Commonwealth legislation is the Australian National University.
- <sup>7</sup> Australian Vice-Chancellors' Committee, *Key statistics on higher education* (Canberra: AVCC, 2003), Table A21
- <sup>8</sup> Commonwealth Department of Education, Science and Training, *Setting firm foundations* (Canberra: Commonwealth Department of Education, Science and Training, 2002), 23-24.
- <sup>9</sup> Commonwealth Department of Education, Science and Training, *Students 2003: Selected higher education statistics* (Canberra: Commonwealth Department of Education, Science and Training, 2004), summary Tables (i).
- <sup>10</sup> Australian Vice-Chancellors' Committee, *Key statistics on higher education* (Canberra: AVCC, 2003), Table D7.
- <sup>11</sup> The Universities of Sydney, Melbourne, Adelaide, Queensland, Tasmania and Western Australia.
- <sup>12</sup> Initially called the New South Wales University of Technology, and now called the University of New South Wales.
- <sup>13</sup> The University of New England was established in 1954, having received its independence from the University of Sydney. In 1958, Monash University became Melbourne's second university.
- <sup>14</sup> Neil Marshall, 'End of an Era: the Collapse of the 'buffer' Approach to the Governance of Australian Tertiary Education,' *Higher Education* 19 (1990): 147-67.
- <sup>15</sup> The universities had a total of about 160,000 enrolments; the colleges had about 150,000 enrolments – mainly undergraduate; and the Technical and Further Education colleges had about 850,000 enrolments – 95 per cent of them part-time.
- <sup>16</sup> In the early 1990s, one of the merged institutions dis-amalgamated, thus adding one more university to the public system. In 2000, another university was created when a university-affiliated institution received full university status, resulting in the current number of 37 public universities.

- 
- <sup>17</sup> Review of Higher Education Financing and Policy (West Committee), Learning for life: a policy discussion paper (Canberra: Commonwealth Department of Employment, Education, Training and Youth Affairs, 1997), p. 89
- <sup>18</sup> Brendan Nelson, *Higher education: Report for the 2004-2006 Triennium* (Canberra: Commonwealth Department of Education, Science and Training, 2004), 3.
- <sup>19</sup> Commonwealth Department of Education, Science and Training, *Setting firm foundations* (Canberra: Commonwealth Department of Education, Science and Training, 2002), 7. The HECS contribution levels for 2004 are: A\$3768 per annum for arts and humanities, justice and legal studies, social science and behavioural science, visual and performing arts, education and nursing; A\$5367 per annum for mathematics and computing, other health sciences, agriculture and renewable resources, built environment and architecture, science, engineering and processing, and administration, business and economics; and A\$6283 per annum for law, medicine and medical science, dentistry and dental services, and veterinary science. The currency conversion is AUD\$1 = CAD\$0.93.
- <sup>20</sup> Commonwealth of Australia, *Information for Commonwealth supported students 2005* (Canberra: AusInfo, 2004), 6.
- <sup>21</sup> From 2005, the income threshold at which HECS repayments commence will be \$35,001. The rate applied to HECS repayment income at this level will be 4 per cent. The rate will increase to 8 per cent at an income level of \$65,000 and above.
- <sup>22</sup> Australian Vice-Chancellors' Committee, 'Indexation: maintaining the value of our investment in universities,' *Pursuing the Vision for 2020 – AVCC Election Issue 1* (Canberra: Australian Vice-Chancellors' Committee, 2003), 1.
- <sup>23</sup> B. Williams, 'The 1988 Paper on Higher Education,' *Australian Universities' Review 2* (1988): 2.
- <sup>24</sup> S, Zifcak, 'Managerialism, Accountability and Democracy: A Victorian Case Study,' *Australian Journal of Public Administration* 53.3 (1997): 107.
- <sup>25</sup> Australian Vice-Chancellors' Committee, *Key statistics on higher education* (Canberra: AVCC, 2003), Table A21
- <sup>26</sup> Australian Vice-Chancellors' Committee, *Key statistics on higher education* (Canberra: AVCC, 2003), Table A1
- <sup>27</sup> David Phillips, *Independent Study of the Higher Education Review, Stage 1 Report*. (Byron Bay, NSW: Phillips Curran, 2002), 31.
- <sup>28</sup> Australian Vice-Chancellors' Committee, *Public Under-Investment in Higher Education* (Canberra: Australian Vice-Chancellors' Committee, 2001), 2.
- <sup>29</sup> Peter Karmel, 'Higher Education at the Crossroads: Response to Ministerial Discussion Paper', Individual submission 14: 2. Accessible at: <http://www.backingaustraliasfuture.gov.au/submissions/crossroads/crossroads1.htm>
- <sup>30</sup> The exception is the Australian National University, which derives its statutory authority from an Act of the Commonwealth Parliament.
- <sup>31</sup> Working Party on Higher Education, *Report to the Australian Education Council* (Canberra: Australian Government Publishing Service, 1991), 5.
- <sup>32</sup> Working Party on Higher Education, *Report to the Australian Education Council* (Canberra: Australian Government Publishing Service, 1991), 14.
- <sup>33</sup> Australian Vice-Chancellors' Committee, *Key statistics on higher education* (Canberra: AVCC, 2003), Table A21
- <sup>34</sup> Details about the Agency, including copies of institutional reports, are available from the Agency's web site: <http://www.auqa.edu.au/>

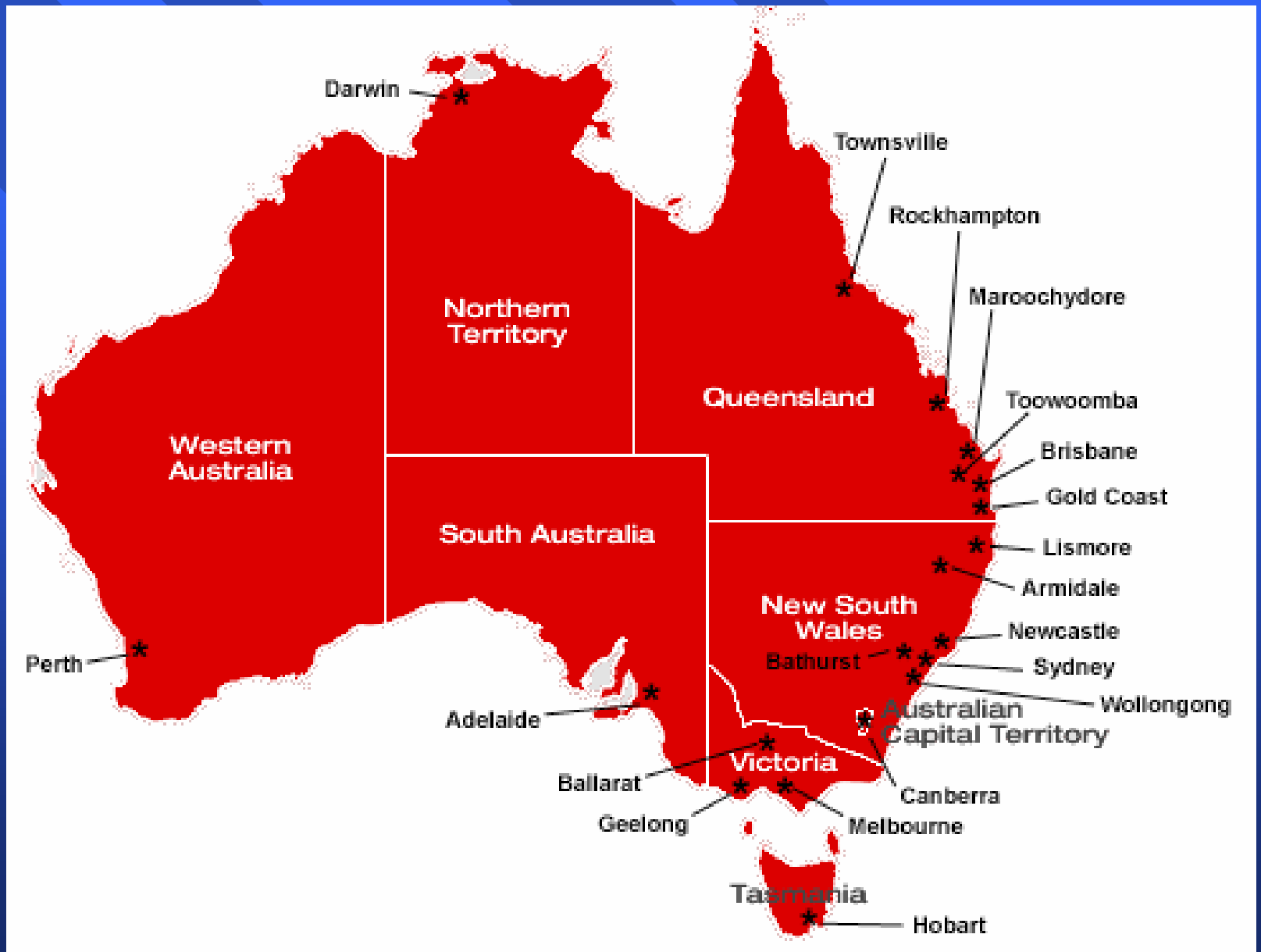
- 
- <sup>35</sup> Higher Education Management Review (Hoare Committee), *Report of the Committee of Inquiry* (Canberra: Australian Government Publishing Service, 1995).
- <sup>36</sup> Commonwealth Department of Education, Science and Training, *Meeting the challenges: The governance and management of universities* (Canberra: Commonwealth Department of Education, Science and Training, 2002), 17.
- <sup>37</sup> Commonwealth Department of Education, Science and Training, *Meeting the challenges: The governance and management of universities* (Canberra: Commonwealth Department of Education, Science and Training, 2002), 17-18.
- <sup>38</sup> Michael Long, and Martin Hayden, *Paying their way: A survey of Australian undergraduate student finances, 2000* (Australian Vice-Chancellors' Committee, 2001).
- <sup>39</sup> See [http://www.dest.gov.au/highered/governance/nat\\_gov\\_prot.htm](http://www.dest.gov.au/highered/governance/nat_gov_prot.htm)
- <sup>40</sup> Lynn Meek and Fiona Wood, *Higher education governance and management: An Australian study* (Canberra: Department of Employment, Education, Training and Youth Affairs, 1997).
- <sup>41</sup> Brendan Nelson, *Higher education at the crossroads: An overview paper* (Canberra: Commonwealth Department of Education, Science and Training, 2002), 5
- <sup>42</sup> Neil Marshall, 'End of an Era: the Collapse of the 'buffer' Approach to the Governance of Australian Tertiary Education,' *Higher Education* 19 (1990): 150.
- <sup>43</sup> Brendan Nelson, *Higher education at the crossroads: An overview paper* (Canberra: Commonwealth Department of Education, Science and Training, 2002), 14
- <sup>44</sup> Peter Karmel, 'Higher Education at the Crossroads: Response to Ministerial Discussion Paper', Individual submission 14: 2. Accessible at: <http://www.backingaustraliasfuture.gov.au/submissions/crossroads/crossroads1.htm>



SCHOOL of EDUCATION

# Governance of Public Universities in Australia

Trends and Contemporary Issues



# Important Characteristics

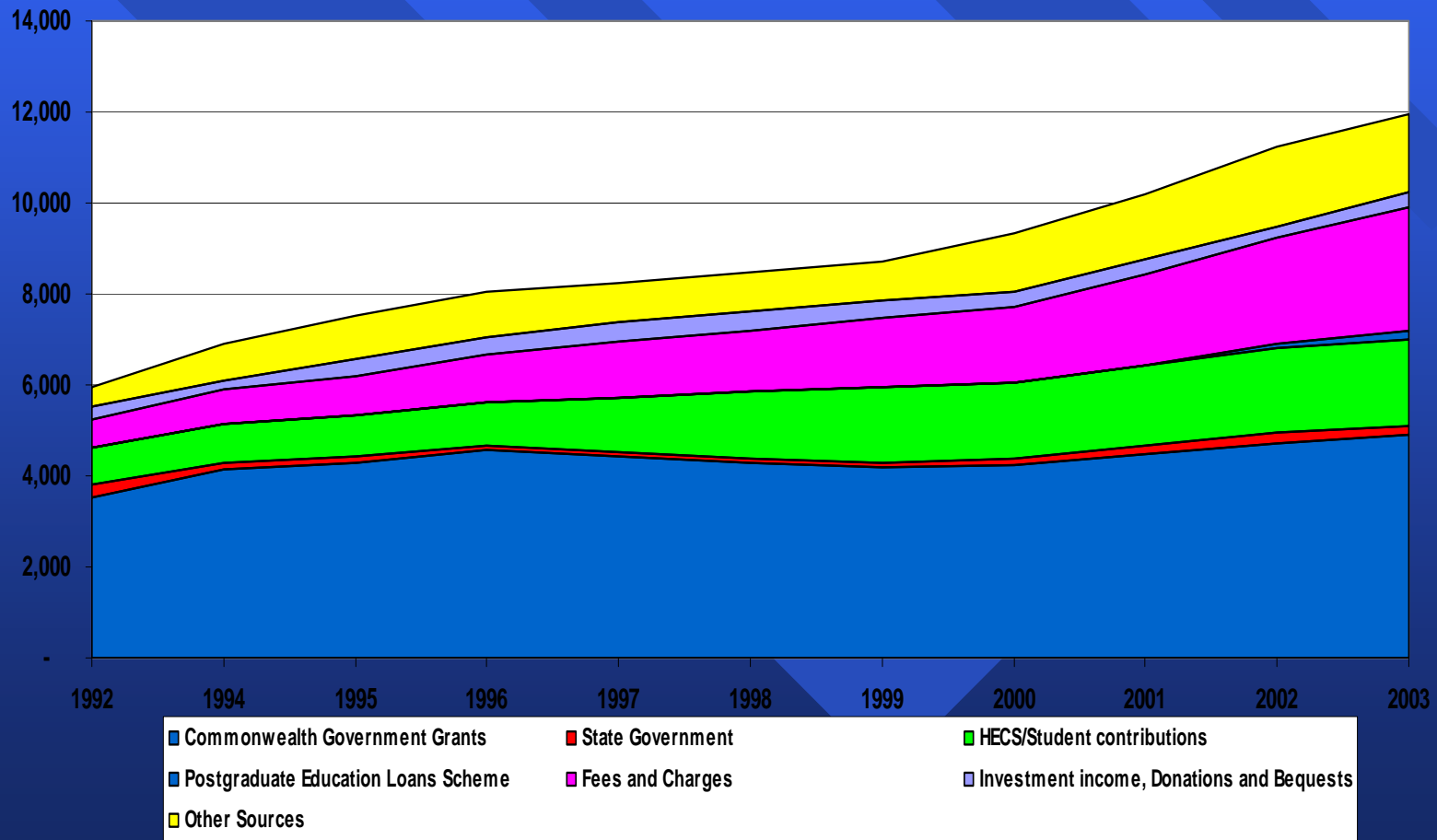
- national system of 37 public universities and 2 small private universities
- relatively homogeneous system - but quite pronounced informal stratification
- high level of individual institutional autonomy
- 40% of funds from Commonwealth, and another 16% from HECS charges
- 18% of Australians have a degree
- 30% growth in student numbers over the period from 1991 to 2000 (19% growth among domestic students, and 223% growth among international students)
- 23% of all students are international students

# Important Dates

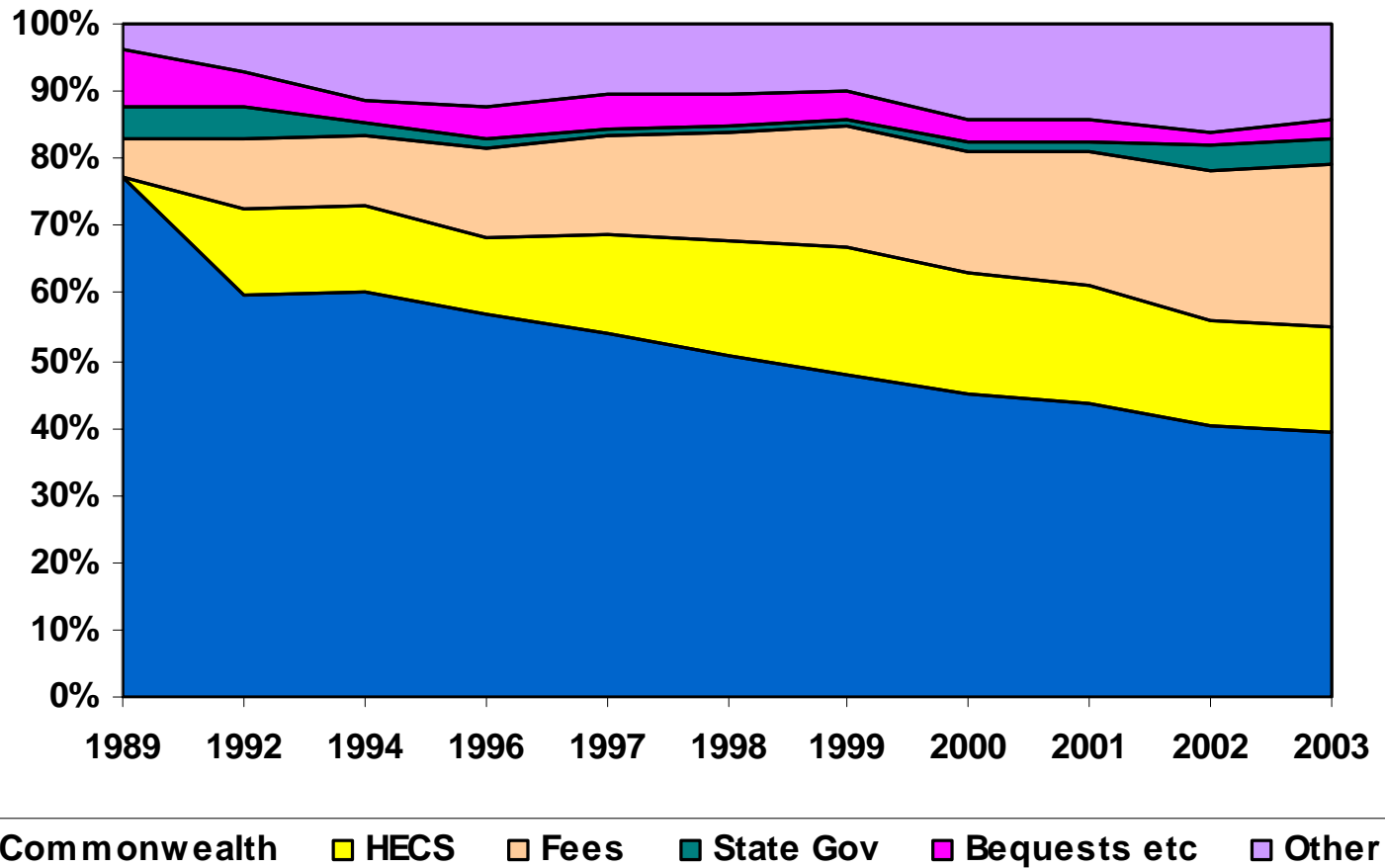
- 1974: Commonwealth accepts financial responsibility for higher education/tuition fees abolished
- 1987: higher education system directly accountable to the Commonwealth
- 1988: abolition of binary system/establishment of “unified national system” of 35 universities
- 1989: introduction of Higher Education Contribution Scheme (HECS)
- 1996: significant cost-saving measures/encouragement of more reliance upon fee-paying students
- 1999: establishment of fully performance-based funding for research
- 2005: extensive new reforms to be implemented

# Changing funding sources (\$m)

## 1992 – 2003



# Changing funding sources (%) 1989-2003



# 1. From New Public Management to Neo-Liberalism

- “a preference for market mechanisms of governance, more business-like management of public agencies, the minimisation of public bureaucracy, a focus on clear responsibility and accountability for results and the empowerment of consumers of government services” (mid-1980s to mid-1990s)
- “the desire to extend market relationships and private ownership to all areas of social and economic activity” (1996 to present)

## 2. New Sensitivities in Commonwealth-State Relations

- 1991: Commonwealth and State Ministers agree that universities should be a Shared Responsibility Program
- 1993: Commonwealth pays universities directly
- 2001: agreement to establish Australian Universities Quality Agency
- since 2002: resurgence of State financial support for universities
- 2004: proposal by NSW that all responsibility for universities should be handed to the Commonwealth

### 3. Institutional Governance

- increase of interest since the mid-1990s in the functions and performance of university Councils
- increase in awareness of the authority of Councils through their ability to dismiss Vice-Chancellors
- 2003: introduction of National Governance Protocols for Higher Education
- 2004: Councils signing-off on important decisions affecting student welfare and university income
- the issue of who owns public universities - the pivotal importance of university councils

## 4. System Governance

- 1959-1977 Australian Universities Council
- 1977-1987 Commonwealth Tertiary Education Commission
- since 1987, the Commonwealth Department responsible for education
- “to promote the plurality of priorities among universities, to ensure their institutional independence, and to provide the Commonwealth Government, the universities themselves and the wider public with a source of objective advice on university matters” (Karmel)

# Concluding Comments

- the role of Commonwealth Ministerial ambitions, and the constraining influence of Shared Government Responsibility
- “Commonwealth policy appears to have been built on assumptions that, at the very least, are debatable.”
- will Australia’s public universities ever reject Commonwealth control of their activities?