Australasian Institute Of Tertiary Education Administrators

The Horse And The Boar:
A Perspective On Higher Education

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THE HORSE AND THE BOAR: A PERSPECTIVE ON HIGHER EDUCATION

A recent discussion paper on the tertiary sector made the following interesting observation:

> Universities in the western tradition have survived revolutions, wars, religious and political persecution, poverty and neglect. Yet, arguably it is over the past twenty years that the most radical series of changes have occurred to universities since the Enlightenment. Universities in most western countries view themselves as being in a state of crisis.[1]

In thinking about the future direction of higher education, it is tempting for some in the sector to talk up 'crises' for which lack of government funding, more market-driven policies or threats of privatisation typically cop the blame. University of Waikato Vice-Chancellor Professor Bryan Gould, addressing the Public Tertiary Education Coalition conference in May, said that universities faced a "dangerous future" with funding per student falling and student numbers turning down.[2] However, not all types of institutions are losing students. Polytechnics, overall, are seeing increases. It is sometimes argued that this is because the courses they offer are cheaper and shorter. But are they really much cheaper? The average tuition a full-time student pays at UNITEC in Auckland is $2,000 per year, at AIT it is $2,340, while at the University of Auckland it is $2,500. And is there anything wrong with shorter courses?

A couple of months ago, Vaclav Klaus, when asked to talk about "the common crisis" remarked that there are some people who think it a crisis every time people are spontaneously getting on with what they want to do, without any direction in sight.[3]

And spontaneous action is alive and well in higher education. Individuals make decisions among a wide range of educational and training opportunities. These choices are affected by values and aptitudes which are, in turn, affected by family and cultural backgrounds. Education and training provide pecuniary and non-pecuniary rewards such as increased appreciation of the arts and culture. The demand for skills in the workplace is derived from the demand for other goods and services. Tertiary education and training is provided by a multitude of entities. On-job training is provided by employers. These providers can choose to combine the inputs necessary to make available training and education services in a variety of ways.

There is also much diversity in opinion about the relative importance of cognitive skills, socialisation and screening in education, and about how best to perform these functions. Even experts disagree and majority opinion changes over time.

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1 Francis, Debbie (1996), "Changes to the Governance/Ownership Structures of New Zealand Universities": Discussion Paper, Lincoln University, Lincoln.

2 *New Zealand Vice Chancellors' Committee Newsletter*, June 1996, No 39, p. 3.

3 Quoted in Kenneth Minogue (1996), "Mankind, Metalkind and the Future of National Sovereignty", unpublished paper presented to the Conference on International Trade and the Environment.

There is a risk that issues and problems in higher education that inevitably arise in the face of this overwhelming and increasing diversity will be magnified, particularly by those who have an axe to grind or a position to protect. Perceived problems are typically met with big solutions. The problem of perceived under-investment in certain 'strategic' areas of learning has fostered increasingly centralised control of funding processes. Concerns about portability of qualifications and the goal of a seamless education system are the fertile soil within which a large and cumbersome qualifications framework grows. Seamlessness threatens to become shapelessness, especially at the academic level, under a plethora of unit standards. We must hope that the new minister does not share his predecessor's crusading zeal on this subject.

Emerging Trends in Higher Education Policy

Of course, big solutions are incapable of coping with the variety and complexity of common, everyday interactions. Centralised solutions require measurable inputs to be controlled and uniform outputs to be purchased. The standard template they impose stifles innovation and responsiveness. In contrast, diversity, independent thought, responsiveness and innovation in higher education will be critical to sustaining our social, cultural and economic development into the next century.

Key questions concern the funding, regulatory and ownership structures that will promote these goals. Over the last eight years there has been an ongoing and systematic working through of these issues. In large part, this has reflected a new, more open and competitive environment in the higher education sector and in the wider economy. The government and tertiary institutions have been encouraged to reflect on what it is that they should do and how well they do it.

An early initiative was the Watts Report, under the auspices of the New Zealand Vice-Chancellors' Committee, which reviewed the funding and administration of higher education.[4] The New Zealand Business Roundtable (NZBR) commissioned a report by Professor Richard Blandy in 1988 which tackled tertiary funding and regulatory issues. It highlighted the strong equity and efficiency grounds for moving in the direction of lower state tuition subsidies and a more decentralised system of higher education. In the same year, a working group convened by Professor Gary Hawke published a report which laid the foundation for changes in the system of state funding of higher education in 1990.[5] In 1994, a Ministerial Taskforce (known as the Todd Taskforce) considered the issue of how growth in tertiary participation should be funded, in particular the private and state-funded share of direct tuition costs.[6] The Taskforce concluded that the private contribution to the direct costs of formal tertiary education should increase in relative terms and outlined two options as to the rate and ultimate extent of the increase. The government made a decision to reduce tuition subsidies per equivalent full-time student place by 1 percent annually until 1999.

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4 Watts, Ronald L (convenor) et al. (1987), *New Zealand Universities: Partners in National Development, Report of the New Zealand Universities Review Committee*, New Zealand Vice-Chancellors' Committee, Wellington.

5 Hawke, G R (convenor) et al. (1988), *Report of the Working Group on Post Compulsory Education and Training*, Government Printer, Wellington.

6 Ministerial Consultative Group (1994), *Funding Growth in Tertiary Education and Training*, Government Printer, Wellington.

It is not only funding issues that have been considered. Appropriate governance and accountability arrangements for tertiary institutions are the subject of ongoing reviews. There has also been debate about capital charges and the possibility of divestment of institutions from the public sector, perhaps into private trusts.

This process parallels that in many other countries. Australia introduced a Higher Education Contribution Scheme in 1992 under which private contributions to the costs of tertiary education were increased. Last year, a review of higher education management was undertaken by a committee of inquiry established by the Federal government.[7] There is currently a vigorous debate about whether the level of private contribution should be further increased and the Higher Education Contribution Scheme reformed.[8]

In the UK context, *The Economist* in 1991 proposed that a future (specifically Labour) government should seek "to recover the full costs of post-18 education (including tuition costs) from those who benefit".[9] The shift of opinion in this direction is underlined by a 1994 recommendation of the British Labour Party-aligned Commission on Social Justice that students be expected to contribute a significant proportion of the costs of their tertiary education.[10] The dominance of students from well-off families in higher education meant that grants and tuition fees for students living away from home were worth 10 times as much to the richest 20 percent of families as they were to the poorest 20 percent. The Commission concluded that current student funding arrangements were neither fair nor efficient.

Several common themes seem to have emerged internationally in relation to higher education over the last five years:

- private contributions should be increased so that costs are more equitably borne by those who directly benefit;
- there are increasing demands by governments and the community for more accountability and better performance in the sector;
- tertiary institutions are facing more competition, both domestically and internationally, for the school-leaver market, as well as competition with professional bodies, private organisations and workplace-based programmes for those seeking upgrading of knowledge and skills or reaccreditation;
- wider economic reforms have significantly affected the sector, increasing returns to skills and education and the demand for higher education;
- the working, teaching and learning environment has been radically reshaped by the combined impacts of new information technology and communications;

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7 Hoare, David (1995), *Higher Education Management Review: Report of the Committee of Inquiry*, Australian Government Publishing Service, Canberra.

8 See, for example, an article by Professor Peter Lloyd in *The Australian Financial Review* of June 12, 1996 entitled "Challenge of University Funding".

9 *The Economist*, May 18, 1991, p. 20.

10 Commission on Social Justice (1994), "Social Justice: Strategies for National Renewal", Vintage, London.

- institutions (and taxpayers) have faced increasing demands due to mass participation in higher learning and the increasing diversity of the student population;

- labour market reforms and expectations on the part of employees for more self-determination and flexibility in the workplace have affected the way in which teaching and research are organised within institutions; and

- institutions have faced greater competition for research funds.

The Policy Environment

Government policies that impact on higher education extend beyond those directly relating to the funding, regulation and ownership of tertiary providers. One of the most important contributions government policies can make to investment in tertiary education is to provide a stable, non-inflationary environment with flexible product and factor markets, and taxes that are as low as possible consistent with the government's social goals.

Income taxes adversely affect investment in education and training, whether funded by a student, trainee or an employer. It has been estimated that a 1 percentage point increase in the rate of income tax in the United States would reduce the long-run stock of human capital by almost 1 percent.[11]

Inflexible labour markets compress margins for skills and education. Protected local producers are sheltered from world prices and competition for their products with the result that incentives to invest in on-job training and formal tertiary education are dampened. Protected industries lock up skills that are better applied elsewhere. Markets that exist because of political fiat, and complex tax systems that impose high and variable tax rates, consume the scarce skills of the best and brightest. Returns to lobbying and to tax avoidance exceed those from other, market-related, activities.

The process of wider economic liberalisation since 1984 has contributed significantly to the demand for more and better higher education.

Higher Education Funding Policies

With a few unfortunate lapses, the level of the debate about the funding of tertiary education has matured in New Zealand since it commenced almost a decade ago. For example, the focus of policy debate on funding has shifted to the level of the private contribution, the speed of transition and the means of delivery of state assistance rather than the principle of whether there should be any private contribution at all.

Every now and again, however, some participants revert to spurious cross-country comparisons of per-student subsidies or consider that reciting a list of public benefits (or spillovers) from higher education is sufficient to warrant current (or increased)

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11 Trostel, Philip A (1993), "The Effect of Taxation on Human Capital", *Journal of Political Economy*, 101(2), pp. 327-350.

levels of state subsidies.[12] Cross-country comparisons of tertiary tuition subsidies represent no more valid a basis for public policy than attempts in the 1980s by protected sectors to secure subsidies which matched those offered by other countries. It is one thing to identify public benefits from higher education; it is quite another to use them to justify current levels of subsidies. From a public policy perspective, the relevant consideration is not the absolute magnitude of public benefits but the extra net public benefits that might be generated by subsidies (after offsetting the deadweight costs of taxes to finance those subsidies). The current level and configuration of subsidies is difficult to justify on the basis of public benefits since it would require that public benefits, at the margin:

- only accrue where tuition is provided locally;

- does not accrue when learning is self-directed;

- are highest for each tuition place offered at tertiary levels compared with earlier stages of education;

- are highest in the formal education of university students, who come from predominantly advantaged backgrounds, and are negligible for on-job, trade and basic skills training where trainees from lower-income backgrounds are more heavily represented;

- vary according to the type of formal tertiary course undertaken, since tuition subsidies among courses differ widely;

- differ according to whether courses are undertaken in private or state institutions (with public benefits arising almost exclusively in the latter);

- predominate over private benefits associated with formal tertiary education (since the government generally remains the dominant funder). The implication is that students should be largely indifferent about whether to participate in tertiary education and in their course selection; and

- exceed the deadweight costs of raising extra tax revenue to fund subsidies.

While private contributions should be greater than those contemplated by current government policy, it is in the interests of tertiary institutions, students and their families to seek a more stable, long-term funding policy. The government has announced its medium-term policy on private and public contributions - a gradual reduction in state subsidies per EFTS. It is not worth revisiting this issue again in the short term. Instead, it is likely to be more fruitful to focus on how taxpayers' contributions are best delivered, on how institutions can be better run, and on excessive central controls over accreditation and qualifications.

The Delivery of Higher Education Subsidies

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12 See, for example, the reported discussion of the Public Tertiary Education Coalition national conference in the *New Zealand Vice Chancellors' Committee Newsletter*, June 1996, No. 39, pp 1-3.

The equivalent full-time student (EFTS) system for delivering subsidies is certainly superior to the system of funding which applied before the 1992 reforms. The EFTS system relates funding to student numbers. It treats all local state providers of higher education on the same basis.

However, there are many aspects of existing EFTS funding policies that detract from a stable environment in which the complex interplay of decisions by students and institutions can occur with minimum interference by central policy makers.

Each year, the government determines the number of EFTS places it wishes to purchase and local tertiary institutions bid for EFTS places in each of 11 base funding categories. The Ministry of Education assesses bids and advises the minister of education on the allocation of EFTS places based on available funding and its evaluation of the capacity of the institutions to deliver places. New growth in funding is allocated by priority areas. Sixty percent of the allocation of new EFTS places is determined by the government and 40 percent by institutional demand. The funding of applied skills training is closer to a purchase model. Funding is provided through the Education and Training Support Agency (ETSA) to Industry Training Organisations (ITOs). ITOs, in turn, purchase applied skills courses from local tertiary providers, principally polytechnics.

Several problems are apparent from even this brief description of funding systems.

The first is the opaqueness of the mechanisms by which resources are allocated. Funding applications are mediated through a complex, centrally- and politically-driven process. Funding is only indirectly related to student demand. It is not clear by what criteria the government chooses the additional tuition places it will prefer in its EFTS funding policies. Applied skills funding is even more centrally driven. Shades of discredited manpower planning seem to have re-entered the picture. Likewise, it is not clear how places are offered by institutions in the case of excess demand.

Adding to this opaqueness, the funding of research and teaching is combined, as is operational and capital funding. Each funded EFTS in the state sector contains a nominal capital component of $1,000. Research funding incorporates funding for teaching and non-public good research.

The lack of transparency means that there can be no assurance that the allocation of resources to higher education contributes to a fairer or a more responsive sector.

A second feature of the EFTS system is that in response to heavy demand for courses offered by some institutions, the institutions may carry unfunded places. They may do so in the expectation that they will receive additional EFTS funding in the future. This is an indirect way of signalling demand. Coupled with the annual process of allocation and time-lags, this feature may create perverse incentives. Institutions may carry unfunded places or over-bid in a game to secure a greater share of resources. Changes in demand are not detected until enrolment and cannot be altered until the following year. Together, these factors result in some institutions scrambling to enrol students and entry standards appear to have become lax in some cases. Short courses of little educational value may be hurriedly developed and marketed in order to meet EFTS commitments.

The timing of funding announcements makes the problems faced by institutions worse. Institutions are informed of their final EFTS allocations only in October of the year before enrolment. This makes efficient budgeting and fee setting difficult for councils.

Most importantly, the preferences of students are only indirectly signalled. Central decision makers and tertiary institutions do not have the same quality or amount of information as students about courses that most appropriately match their aspirations and aptitudes. Nor do third parties face the same incentives as students to make the right choices. This underlines the importance of providing students with adequate choice and ensuring that they receive signals from the labour market with few distortions. These goals are unlikely to be fully met in a system where changes in demand among sectors or courses are not necessarily reflected in funding shifts.

The current EFTS system also funds courses for a standard academic year. Institutions are penalised for delivering courses in less than the standard time. Offering students shorter but more intensive courses would substantially reduce the most significant cost students face - forgone income. If anything, the trend in New Zealand and elsewhere has been to lengthen courses, thus adding considerably to tuition costs. This trend may reflect the attempt by some professions to raise barriers to entry.

There are few parameters governing the eligibility of students for EFTS funding. For example, subsidies are not contingent on the performance of a student or the length of time taken to complete a course. Introducing performance criteria into eligibility for subsidies would strengthen incentives faced by students to maximise the value of resources committed to their higher education.

Another significant feature of the EFTS system is that students receive differing amounts of assistance according to whether they attend a state or a private institution, or study in New Zealand or elsewhere. Students receive little assistance for overseas study. Students attending private training establishments attract much lower levels of assistance than those who attend equivalent courses at public institutions. This is neither fair nor efficient.

There is every reason to believe that changes to the EFTS system would encourage a more dynamic and responsive tertiary sector. In particular, providing more assistance directly to students could reap significant benefits. This could readily be achieved through a combination of student loans and tuition entitlements that students could redeem.

Providing assistance to students in a way that treated state and private institutions in a more even-handed way, and which opened up greater opportunities for assisted study overseas, would:

- be more transparent;

- help resources flow to courses and programmes of highest demand. A more even spread of assistance among different course categories would also promote a closer alignment between the incentives faced by students and the skills and aptitudes demanded by the community. Students would be more likely to be presented with an appropriate quality and mix of courses;

- enhance incentives faced by institutions to tailor the length, timing and range of courses in line with student preferences rather than the preferences of tutors, lecturers or administrators. There are already signs that students have become far more discriminating consumers since the advent of a regime of higher student fees. Incentives for institutions to cull out low value courses would also be increased; and

- increase incentives for students to maximise the value (pecuniary or otherwise) of the courses they undertake by choosing their courses carefully and improving their performance.

Importantly, a decentralised system in which institutions are funded from much more diverse sources would protect institutional independence and academic freedom. Central policy makers would have fewer tools to influence the direction of institutions through funding mechanisms and priorities.

A key issue is the extent to which the system would be demand driven. The greater the extent to which funding assistance is demand driven, the greater the certainty for institutions and students. For example, the pipeline effect would mean that institutions offering three-year courses would be able to anticipate short-term revenue flows with reasonable certainty.

What is often overlooked in the debate about private and public contributions to tuition costs is the balance of fiscal risks between students (and their families) on the one hand and taxpayers on the other. The greater the extent of state contributions to tuition costs, the greater the reduction in private costs. Since the private benefits of tuition are unchanged, additional demand for tuition places ensues. To manage the additional demand, the extent of funding is likely to be capped. Places would be rationed possibly by means that would worsen rather than improve the equity and efficiency of funding arrangements.

The balance between risks borne by taxpayers and students is reflected in the differing policies applied to student loans compared with EFTS funding. Assistance provided through the loans scheme is heavily demand driven while the EFTS funding regime is much less so. Increasing the proportion of costs borne by students would mean more scope for demand-driven elements in the state's contribution.

Channelling more assistance directly to students would not spell the end of research. If research informs teaching, as is often argued, students (particularly those undertaking post-graduate study) will be prepared to pay for the research component of their courses. As centres of higher learning, tertiary institutions would also be free to bid for public good research funding.

Governance and Management Issues

There has been increasing debate on ways in which the government and the wider community can be assured that resources committed to higher education are used efficiently. This raises a number of ownership and governance issues related to state tertiary institutions. I am satisfied that there is still a great deal of scope for running tertiary institutions more efficiently - i.e. improving the quality of teaching and research and/or reducing costs. With reducing taxpayer subsidies for tuition there is even more reason for students to be concerned about these cost and quality issues. The Dunedin College of Education has recently shown that it is possible to reduce student fees despite the reductions in taxpayer subsidies.

One way of promoting adequate quality of provision is to empower students with more choice. This goes hand-in-hand with a more open and contestable environment for the provision of higher education. However, a more competitive environment has raised a number of knotty ownership and governance questions.

To be responsive in such an environment, state tertiary institutions need to have considerable latitude to combine inputs in the most effective way. This may include borrowing to finance new infrastructure or changing the mix and number of staff. However, institutions are currently limited in their ability to manage their inputs. They have only limited ability to borrow and to dispose of assets, for example, and their organisational form and governance structures are, to a large extent, centrally determined. Increasingly onerous ownership monitoring arrangements have been imposed on state tertiary institutions. Restrictive interpretations of employment law by the courts hinder their ability to shed poorly performing staff.

For institutions to be more responsive, these centralised controls need to be relaxed. In the absence of appropriate ownership and governance structures, however, relaxing existing controls in an increasingly competitive environment would expose the Crown to substantial additional risks. Developing appropriate governance and management arrangements is therefore an important prerequisite to providing tertiary institutions with more flexibility and management autonomy.

A capital charging regime or an equivalent discipline on investment and asset management is a component of such a strategy. Confronting institutions with the costs of the capital they employ is an adjunct to greater autonomy. In making decisions about the appropriate mix of inputs, managers will face incentives more closely aligned with those of the government. This enables greater delegation of decision making. The current complex and intrusive range of input controls could be reduced. Capital charging therefore represents more of an opportunity than a threat to the sector.

A more competitive environment also helps to focus the debate on governance structures. One view is that a role of governance structures is to balance the interests of an array of stakeholders in tertiary institutions. The last list I saw identified the government, students, taxpayers, academic staff, general staff, the Vice-Chancellor and managers, alumni, parents, schools, employers, local authorities, Maori and other ethnic groups as stakeholders. Including most of the population as stakeholders is a recipe for ineffectual governance and confused objectives. How these interests can be balanced is unclear, although it is suggestive of large committees, long meetings and extensive negotiation.

There is a risk that while institutions try to manage all their stakeholders through cumbersome and inefficient management and governance structures, students may vote with their feet for more responsive and fleet-footed institutions. Rather than view governance arrangements as a means of balancing stakeholder interests, a more helpful approach is to focus on structures that best enable tertiary institutions to stick to their knitting: that is, teaching and research of the quality and mix demanded by students and the community. A premium should be placed on the need for effective decision making.

Debate about appropriate ownership and governance structures is lively. Various ownership models are being canvassed as alternatives to the status quo, such as a charitable trust, a company or a state-owned enterprise. It is often argued that ownership and governance models from other sectors are of limited application due to the multiple outputs of a university and the collegial nature of scholarship. The recent Hoare Committee review of higher education management commented that universities:

> ... have a myriad of roles, including theoretical education and professional training, the discovery and dissemination of new knowledge, critical reflection on society and contributing to the community and to the national economy... . They incorporate disparate professional disciplines, to which academics may feel stronger allegiance than to their employing university.[13]

A recent contribution to the debate noted that the joint production of teaching, research and community service contributions do not have distinctive implications for governance - they do not make universities special. Many organisations produce multiple outputs and the authors concluded that:

> ... we are not convinced that collegial decision-making should be viewed as a defining characteristic of the university; we do not see it as necessary for the preservation of academic freedom or the production of core teaching and research outputs.[14]

Many universities in the United States and Canada have structures which are closer to the modern corporation than the collegial model, as does at least one degree-conferring institution in New Zealand. Insofar as collegiality can be taken to mean employee participation, this feature does not distinguish tertiary institutions from other well-run modern organisations: few operate along hierarchical lines. There is also a place for peer review of academic programmes extending across the institution through some kind of academic board. But the argument that collegiality implies a stakeholder model of governance is unconvincing in a modern setting.

The debate about governance is at the stage that debates about funding were 10 years ago. At present it is difficult to decipher the likely outcome. Increasing competitive pressures are causing some universities to critically assess their governance and management structures. International developments include the privatisation of two universities in Sweden in the interests of competition and less state domination of the sector. There have also been moves towards a more mixed public / private system in Chile and towards a more corporate model of governance in Malaysia. There is a

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13 Hoare, David (1995), op. cit.

14 Evans, Lewis and Quigley, Neil (1996), "University Governance: Industrial Organisation in the Context of Tertiary Education", *Victoria Economic Commentaries*, March.

vigorous, if fledgling, private tertiary sector in New Zealand. A further apparent trend is reductions in the size of councils.

If the statutory corporation model is retained in New Zealand, it seems likely that governments will insist on reforms to councils to make them more accountable and effective, and on more rigorous performance monitoring. The alternative is a move towards divestment, based on the logic that it is difficult to see why the government needs to remain the long-term owner of tertiary institutions, as opposed to being the part-funder of higher education. It may be that the quality of outputs in universities is difficult to assess. But this makes it more rather than less important that universities have coherent and effective governance and management structures, and that further analysis of this issue should be undertaken.

Accreditation

The mix of funding and accreditation requirements create significant barriers to entry for new providers. The Education Act 1989 authorises the NZQA to accredit tertiary institutions and private and government training establishments and to approve their courses. In the case of universities, the power to approve courses is delegated to the Vice-Chancellors' Committee. The accreditation of providers and approval of courses are related to the government's desire to put in place a national qualifications framework. This will involve a highly structured set of interrelated qualifications.

The combined effect of barriers to entry, accrediting by the NZQA and subsidy arrangements is to produce a system that approximates mandatory accreditation. Mandatory accreditation is a partnership of unequals - something akin to the Mafia's offers of protection. People who ought not to be in on the act use it as a way of getting into the act. Providers are required to obtain approval for courses and qualifications from accrediting agencies which tend to support conformity with the industry norm. In the case of universities, approval is required from a body comprising the provider's competitors.

Mandatory accreditation also reduces the incentives for providers to protect and develop their reputations. Under the framework, qualifications awarded by poorly performing organisations are required to be recognised as equal to similar qualifications conferred by other providers. This reduces the incentives for poor quality providers to lift their standards and impedes the establishment of independent standards by high quality institutions.

Like any centrally-administered programme, the framework may provide misleading information. Accreditation systems depend on reliable information about each institution's courses and qualifications, which is costly to obtain. Such systems also impose compliance costs on providers, including the direct costs of preparing submissions and supplying information. Indirect costs may be larger. They include the costs of delays and the development of inappropriate courses and qualifications simply to satisfy the accrediting agency's requirements.

Accrediting systems also encourage lobbying. The interests of employees and employers may differ. The interests of their organisations may differ from those of their members. Employees can be expected to prefer generic qualifications which enable them to move among firms and industries. Holders of qualifications have an interest in restricting the supply of people with similar qualifications, knowledge and skills. This helps to explain attempts by professions, such as the accountancy profession, to control entry and to raise entry standards. In contrast, employers will seek qualifications that accurately signal to them that the employee or applicant has the ability, attributes, knowledge and skills required for entry or progression, and is suitable for firm-specific training. These conflicting interests lead to pressure on accrediting agencies.

Instead of relying on the qualifications framework as the big solution, the interests of students and other consumers of higher education would be better promoted by the development of a more competitive higher education sector in which less intrusive mechanisms for quality assurance played a larger role. These would include the reputation of individual institutions, formal rating of institutions, faculties and departments along North American lines, and accreditation and validation of courses on a voluntary basis where institutions found such processes helpful.

Conclusion

There are no big problems or crises in higher education that require central government provision, heavy regulation or funding. However, there are a number of problems that demand a more flexible framework within which a responsive and dynamic sector can continue to develop. Universities and polytechnics within the sector are being required to reinvent themselves in order to respond to the needs of their students and the requirements of the wider community.

Many of the underlying aims of funding and accreditation reforms that have significantly affected higher education over the last decade, such as breaking down artificial barriers between different classes of institution, are commendable. Many changes have contributed to a more responsive and dynamic sector. In respect of the policy framework which is likely to enable the sector to perform most effectively, there is nothing special about higher education. Participants in the sector will benefit most from continuing moves towards greater autonomy and self-management, clearer accountability for performance, more flexible employment arrangements and less overall politicisation of decision making, not from attempts to extend external controls. As can be seen with accreditation and trends towards centralisation in ownership, monitoring and funding arrangements, approaches which accumulate power to the centre are complex and have unintended consequences.

In Aesop's fable of Horse which was tormented by a boar, Horse called on Man to help. Certainly, said Man, I shall help you, but first you must let me saddle you up. The horse solved the problem of the boar, but was lumbered ever after with the saddle.

The higher education sector must take care to ensure that, in seeking solutions to the problems it faces, it does not embrace the wrong saviour.