

# Governance and Functioning of British Universities

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The German Further Education Bill passed in the spring of 1998, should force the German higher education system towards a more market-orientated approach. A decade ago the British university system underwent similar changes in governance and functioning. The legislative changes in particular, which have taken place in Britain since the mid 1980s, have a major impact on the functioning of the higher education system. The most radical legislative changes can be found in the Further and Higher Education Act (1992), which awards university status to polytechnics and implements Funding Councils. These Councils fund all higher education institutions in Britain by the same regulations, which is referred to as a unitary system, and have a quality assurance role. The funding, which is formula-based, and the quality assessments heavily influence the functioning of the university system. The objective of this paper is to describe the governance and functioning of the British university system today, including the changes which the system has undergone.

## 1 Introduction

Higher education institutions, such as universities and colleges, should create new knowledge through research and/or advanced training and serve as an agent for its transfer, adaptation and dissemination. These institutions are mainly responsible for training a country's professional personnel, including the managers, scientists, engineers and technicians who participate in the development, adaptation and diffusion of innovations in the economy. One should also remember the social role of higher education. In most countries, higher education forges national identity and offers a forum for pluralistic debates.

The growth rate of public expenditure on higher education institutions is less than the growth rate of enrolments in higher education throughout the world. The continuing rise in student numbers and the increasing competition for scarce public funds, caused by adverse macroeconomic conditions, lead more or less automatically, according to the World Bank's views, to a crisis in the sector. Though the crisis may appear more dramatic in developing countries than in industrial countries, it is not only caused by the squeeze

on resource availability, but also by inefficient resource utilisation within the higher education institutions. Many countries are destined to enter the twenty-first century without being prepared sufficiently to compete in the global economy, where growth will be based ever more heavily on technical and scientific knowledge provided by the higher education institutions.<sup>1</sup> This paper will not consider the macroeconomic context, i.e. the effects of investments in higher education, which are investments in human capital, on the economic growth. *Lith* criticised the respective German research concentration on these matters.<sup>2</sup> The paper will follow his suggestion to emphasise the governance and rules in the education sector.

Some regard the German system as being in a crisis. They argue that this is due to the fact that university funding has remained static for the last twenty years, while the number of students has doubled.<sup>3</sup> It is said that the crisis becomes obvious considering

*"ultra-long periods of study, overflowing lecture theatres, inadequate contact between teachers and taught as well as between researchers and industry, and a lack of compatibility between German and international qualifications."*<sup>4</sup>

The German university system is traditionally heavily influenced by politicians and bureaucrats through laws and decrees. It is more a state system than a market system. The German Further Education Bill passed in the spring of 1998 should force the German higher education system towards a more market-orientated approach. One could gain the impression that *"Germany's cosy university life"*<sup>5</sup> will end. A decade ago, the British university system underwent similar changes in governance, administration and functioning.

The objective of this paper is to describe the governance and functioning of the British university system today, including the changes which the system has undergone. It will be influenced by research carried out by the author at Aston University and especially, Aston Business School. The objective of this paper is not to be a comparison of the German and British university systems, rather the British should be seen from a German

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<sup>1</sup> Cf. The International Bank for Reconstruction and Development/The World Bank: Higher Education: The Lesson of Experience, 1994, pp. 15–25.

<sup>2</sup> Cf. *Lith, Ulrich van*: Der Markt als Ordnungsprinzip des Bildungsbereichs: Verfügungsrechte, ökonomische Effizienz und die Finanzierung schulischer und akademischer Bildung, 1985, S. 3.

<sup>3</sup> Cf. *Karacs, Imre*: Shake-up ends Germany's cosy university life. In: *The Independent*, 14.02.98, p. 9.

<sup>4</sup> N.N.: German slouches beware. In: *The Economist*, 23.08.97, p. 29.

<sup>5</sup> Cf. *Karacs, Imre*: Shake-up ends Germany's cosy university life. In: *The Independent*, 14.02.98, p. 9.

perspective, which is the author's, as offering one way to implement changes and to learn from the British experience in this respect.

### 1.1 Higher Education in Britain

To prepare the British higher education institutions for the demands of the twenty-first century, momentous changes have taken place in this particular sector since the mid 1980s. A great deal of legislative change has taken place since those days. Some of these still have a very strong impact on the sector. In 1988, the Education Reform Act, followed by the White Paper (1991), aimed to increase the efficiency within the sector and to apply external measures of quality. Even more radical legislative changes can be found in the Further and Higher Education Act (1992) implementing Higher Education Funding Councils (HEFCs) for England, Wales, Scotland and Northern Ireland, funding all higher education institutions in those countries, including a quality assurance role. As a result of this act, polytechnics and colleges were allowed to apply for designation as universities. Britain incorporated critically necessary reforms in the sector of higher education to cope with the needs of the twenty-first century.

Today, a considerable portion of over 30 per cent of an age cohort (18 year olds) gain entry for a degree, whereas in the early sixties under 8 per cent did so. In those days just over 100,000 students went to British universities, whereas in 1994/95 well over one million are enrolled (see figure 1). Nowadays, students enter universities with an enormous diversity of qualifications, from mature students returning, who missed out on their schooling, to eighteen-year-olds with maximum points at A-level. Not only the students' entry qualifications but also the universities entry policies are diverse. One can find universities which have an open entry policy, making it possible for almost everybody to study for a degree, while in others, maximum points at A-level do not ensure access. Universities are free to select their students from the applicants.

An enormous variety of continually developing courses are currently offered by universities. What these different courses have in common is that they are modularised so that, in *Webster's* view, they can be provided at the lowest cost. Students can mix and match these courses in a bewildering range of combinations to build up their credits. Despite the differences between universities, it is always assured, particularly from within the system, that all degree programmes are of much the same standard.<sup>6</sup>

<sup>6</sup> Cf. Webster, Frank: What are our Universities for? In: *Political Quarterly*, Vol. 69, No. 3, 1998, p. 234.

The British higher education sector gained wide public interest in July 1997 with the publication of the Report of the National Committee of Inquiry into Higher Education chaired by Sir Ron Dearing (Dearing Report). The media attention concentrated on the introduction of student tuition fees in British universities, which was a small component of the report outlining the future development of the higher education sector.<sup>7</sup> In 2002/03 students in full-time higher education had to contribute a tuition fee of up to £1,100 per year. The exact amount depends on the student's, the student's parents' or the spouse's income; the remainder will be paid by the students' Local Education Authority.<sup>8</sup>

Figure 1: Institutions and Students in the United Kingdom in Course 1994/95

	England	Wales	Scotland	Northern Ireland	United Kingdom
Full-time UK domiciled students	770,372	54,511	106,231	21,896	<b>953,010</b>
Part-time UK domiciled students	399,103	16,337	25,762	9,388	<b>450,590</b>
Full-time overseas domiciled students	132,707	9,277	16,915	4,814	<b>163,713</b>
$\Sigma$ students	1,302,182	80,125	148,908	36,098	<b>1,567,313</b>
Number of universities	144	14	22	2	<b>182</b>
Average number of students per university	7,657	5,140	6,183	15,702	<b>7,374</b>
Note: In this calculation each part-time student has been counted as 0.5. UK domiciled students are those normally resident in the UK, including those living in the Channel Islands and Isle of Man.					
Source: Cf. HESA (Higher Education Statistics Agency): Students in Higher Education Institutions, 1994/95, pp. 84–93. Own calculations.					

In 1994/95, higher education in Britain was provided by 182 higher education institutions, as can be seen from figure 1. Not all of these institutions were formal universities, but rather further education institutions, colleges etc., like Bath College of Higher Education, for instance, which might be confusing at first sight. The naming of the institutions will be ignored, not being the major interest of the paper. The paper will refer to them as universities or higher education institutions.

<sup>7</sup> Cf. Aston University: Annual Review 1997, p. 3.

<sup>8</sup> Cf. Aston University: Undergraduate Prospectus, 2002, p. 147.

The universities were distributed throughout Britain as follows: England had 144, Wales 14, Scotland 22 and Northern Ireland had 2 universities in 1994/95. Universities in Britain range in size from 4,000 students (University of Abertay Dundee, Scotland) to 28,000 students (Manchester Metropolitan University, England).<sup>9</sup>

As shown in figure 1, regional disparities can be found in the distribution of students to universities. In 1994/95 the average number of students per university in Britain was 7,374. The English universities were slightly above this nationwide average, whereas Welsh and Scottish universities were significantly below it. Northern Ireland seems to have the largest universities with an average of more than 15,000 students in each. It has to be noted, however, that at that time, Northern Ireland had only two universities, namely Queen's University, Belfast and University of Ulster. This fact could be seen as the explanation for the concentration of students in Northern Ireland. *Bland's* general rule is that a university with 20,000 students is considered small. Compared with international standards, almost all British universities were, according to *Bland*, pathetically small. Great economies of scale can be achieved by large sized universities, although there are obvious social disadvantages in large size.<sup>10</sup> That becomes obvious considering, for example, that the overhead per capita for a library stock decreases with the number of students, making it easier for large universities to have appropriate library stocks than for small universities. It might, however, be daunting for an eighteen-year-old student to cope with a confusing system of a large university, which has to be seen as a social disadvantage of size.

## 1.2 The Work of the Higher Education Funding Council of England

A regional aspect can be found in the funding of higher education in the United Kingdom. There are four public institutions, the Higher Education Funding Council of England (HEFCE), the Scottish Higher Education Funding Council (SHEFC), the Higher Education Funding Council for Wales (HEFCW) and the Northern Ireland Higher Education Council (NIHEC)<sup>11</sup>, which allocate funds to the universities providing higher education in

<sup>9</sup> Cf. HEFCE: Higher Education in the United Kingdom, January 1999/02, p. 3.

<sup>10</sup> Cf. Bland, David E.: Managing Higher Education, 1990, pp. 3–4.

<sup>11</sup> Note that some authors speak of only three public funding bodies. They do not consider the NIHEC as being independent because of its links to the HEFCE. Cf. Barry, Benjamin: Financial Management. In: Warner, David/Palfreyman, David (editors): Higher Education Management. The Key Elements, 1996, p. 67.

the United Kingdom. Moreover the HEFCE and the NIHEC provide advisory services to the Department of Education Northern Ireland (DENI).<sup>12</sup> There are particularly close links between these public Funding Councils, in order to achieve homogeneous conditions and to run joint projects within the university sector. Nevertheless, the Councils try to promote the interests of higher education more effectively by taking an active regional role. The following paragraphs concentrate on the work of the HEFCE and will not consider the other Funding Councils, as the paper's research is done in the sphere of influence of the HEFCE at Aston University. Besides, the work of the HEFCE is similar to the work done by the other Funding Councils.

*"The HEFCE distributes public money for teaching and research in universities and colleges. In doing so, it aims to promote high quality education and research, within a financially healthy sector."*<sup>13</sup>

The HEFCE defines its objective as:

*"Working in partnership, we promote and fund high-quality, cost effective teaching and research, meeting the diverse needs of students, the economy and society."*<sup>14</sup>

The evolution of the British higher education system in the past two decades is characterised by two trends: massification and marketization. The first involves an expansion of the system, an increasing variety and a growing size of institutions. This massification can be seen as one reason why public expenditure for higher education is under squeeze. The way in which the HEFCE allocates scarce resources to the universities will be in the centre of the paper's attention.

Marketization refers to the development of a more competitive environment within the market for higher education. The HEFCE and other agencies have developed strategic policies to build a "market" culture resource allocation system designed to create quasi-markets in the higher education sector. At the institutional level, competitive values have been incorporated and competitive behaviour has been stimulated between, and within, universities. This reflects the wider marketization of public policy,<sup>15</sup> which be-

<sup>12</sup> Cf. HEFCE: Higher Education in the United Kingdom, January 1999/02, p. 5.

<sup>13</sup> Cf. HEFCE: About the HEFCE. An Introduction to the Work of the Higher Education Council England, April 98/16, p. 1.

<sup>14</sup> HEFCE: Annual Report, 1997/98, p. 0.

<sup>15</sup> Cf. Bargh, Catherine/Scott, Peter/Smith, David: Governing Universities. Changing the Culture? 1996, p. 14.

came a political guideline in the past two decades. Although the HEFCE is a non-governmental public body and not part of the Department for Education and Employment, it works within the broad policy guidelines set by the Secretary of State and the government. These governmental policy guidelines require that universities should supply what the public, industry and commerce want from them at market prices. In other words, the government wants the universities to supply high quality teaching and research in a type of competitive market environment. There are two main reasons why the government wants to change attitudes within the public sector, of which universities are part. First, individuals and institutions making up the university sector should participate in and enter into the "enterprise culture". This argument is put forward by ministers and their advisers, who believe it is good for everyone, including people working in higher education, to learn to live with market forces. The second reason is the government's wish to reduce the growth of public spending to the lowest possible amount of expenditure each year. Universities, as recipients of public funds, should use them as effectively and efficiently as possible.<sup>16</sup>

## 2 Related Funds

When considering the funding of higher education, three key problems come to mind: how to raise the money, how to allocate it to institutions and how institutions should allocate it internally.<sup>17</sup> The first problem deals with the different sources of funds, from where universities receive their money, which will be discussed later. The second problem considers the work of the HEFCE allocating public resources to universities as mentioned before. The last problem, the ways in which institutions allocate resources internally, will not be discussed in this paper, though it is worth mentioning that universities are free to allocate their grants internally as they wish, which might be seen as one of the few safeguards against the encroachment of the government into university affairs.

Nevertheless, the government, represented by the HEFCE, influences the university sector with its funding regulations. These regulations are set up by the government to make sure that universities achieve the government's objective by supplying high quality education and research, within a financially healthy sector. To ensure this, the HEFCE has built a penalty-reward system in which the universities, as decision makers, are free

<sup>16</sup> Cf. Bland, David E.: *Managing Higher Education*, 1990, p. 2.

<sup>17</sup> Cf. Pratt, John: *Funding Higher Education: The Tyranny of Transparency*. In: *Higher Education Review*, Vol. 29, No. 1, 1996, p. 3–4.

to choose between different sets of options. Universities, which fulfil the given regulations, are rewarded either with additional funds, or by no deductions taken from their public funds. On the other hand, universities, which do not fulfil the given regulations, suffer from funding cuts, or do not receive an increase in their public funding, this being the penalty for not achieving the government's objectives. It has to be seen that each university's objective is to maximise public funding, subject to the constraints set by the given regulations. The aim of the following section is to describe the penalty-reward system, under which the HEFCE allocates funds to universities. These funds relate to universities' teaching as well as research activities, and will, therefore, be examined separately.

## 2.1 Teaching-related Funds

The HEFCEs' teaching funding method is basically a core plus margin approach. Core funding is the part of an institution's grant for teaching that is carried forward from one year to the next. It accounts for a very high percentage of teaching funds, thus providing financial stability, in return for which the institution is required to maintain the number of home/EU student enrolments. Marginal funds are distributed on a competitive basis to provide for additional student numbers, the development of infrastructure and support specific initiatives in teaching.<sup>18</sup> The bulk of institutions' teaching funds (and student numbers) are based on the previous year's allocation, which gives the universities some stability in the area of teaching. The universities need this stability, as it would be inefficient to adapt. If they lost a certain amount of teaching funds in a certain year, the university would not be able to maintain the teaching standards for students currently studying. On the other hand, due to the stability in teaching funds, historic funding disparities are maintained,<sup>19</sup> although the HEFCEs' funds for teaching are distributed by applying the principle that similar activities are funded at similar rates, to avoid efficient institutions subsidising inefficient ones.

To achieve high-quality and cost-effective teaching the HEFCE allocates teaching funds to universities by considering quantity and quality aspects. The quantity aspect takes universities' number of students in different subjects and price bands into account,

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<sup>18</sup> Cf. Sandbach, John/Thomas, Harold: Sources of Funds and Resource Allocation. In: Warner, David/Palfreyman, David (editors): Higher Education Management. The Key Elements, 1996, p. 50.

<sup>19</sup> Cf. Pratt, John: Funding Higher Education: The Tyranny of Transparency. In: Higher Education Review, Vol. 29, No. 1, 1996, p. 4.



whereas subject reviews (formerly quality assessments) assure universities' teaching quality. Both aspects will be examined separately.

### 2.1.1 Subjects and Price Bands

Universities receive, for their teaching activities, HEFCE grants and student fees.<sup>20</sup> Tuition fees cover about a quarter of the average cost of tuition. Universities are free to set tuition fees for overseas students. HEFCE grants are formula-based referring to on the quantity of teaching. The quantity of teaching carried out by a university is determined by the number of students taught, subject-related factors, student-related factors and institution-related factors. University students are assigned to the respective subject they study. The purpose of this classification is to determine the relative cost of teaching different subjects referred to as price bands. A student taught in, for example, Management & Business requires fewer resources from a university than one in Clinical Dentistry, according to the HEFCE. Another factor taken into account is the student-related one. Teaching non-traditional students, for example, part-time students or mature students, attracts a premium, because these students require extra resources of a university compared to traditional students. The latter is done by the HEFCE to give universities an incentive to enrol students from non-traditional backgrounds in their courses. Finally institutional factors are considered. Some universities are identified by the HEFCE as having higher costs of teaching, which is due to the fact that these universities are highly specialised in a subject area, operate in London or have costly pension schemes.

Of major interest, however, is the fact that the actual resources, which a university achieves for its teaching, is compared with the standard resources of the previous year, while the actual resources can be as much as 5 percent above or below the standard resources of the previous year, which is referred to as the tolerance band. Within this tolerance band, it is up to the university to adjust the number of students without actually losing grants. If the variation is greater than the tolerance band, the HEFCE will adjust the funding level or the student numbers over a period to enable the affected university to manage the changes.

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<sup>20</sup> Cf. HEFCE: Funding Higher Education in England: How the HEFCE allocates its funds, November 1998/67, p. 6.

### 2.1.2 Subject Review

The HEFCE has to ensure the quality of education in the universities which it funds. For this purpose the HEFCE has a contract with the Quality Assurance Agency for Higher Education (QAA) to conduct subject assessments on its behalf. In 1997, the QAA was set up especially for these subject assessments,<sup>21</sup> which are nowadays called subject reviews. The review method is based on the institutions' self-assessment documents, in which the university departments describe, evaluate and substantiate their educational provision. These documents provide pointers to the assessors, who are nowadays called subject reviewers, to follow up on their visits, which are part of the rolling programme of subject review. The training of the subject reviewers is conducted by the Universities' and College Staff Development Agency (UCoSDA) to develop skills for specific aspects of the subject reviewers' role and work. Most of the reviewers are academic staff and possess an academic background in the subject they assess. In order to clarify this, the following example should be considered. A lecturer from the Business Department of University A, trained by the UCoSDA will assess, as a subject reviewer, the Business Department of University B, whereas a lecturer from the Business Department of University B, trained by the UCoSDA will assess the Business Department of University C. This sequence could be extended in any way. Fundamentally, the review method is characterised by peer review. A group of reviewers, led by a review chairperson, is mainly responsible for gathering evidence and making judgements on the quality of education provided in the reviewed subject.<sup>22</sup> For this evaluation, the reviewers apply three sources of evidence, referred to as the triangle of evidence, which are documentary evidence, observation and discussion within the team of reviewers.

There are six aspects of provision in the subject review:

#### (a) Curriculum Design, Content and Organisation

This aspect covers the "what" of the educational provision. The reviewers are, for instance, interested in whether the curriculum matches with the aims and the objectives stated in the department's self-assessment documents.

<sup>21</sup> Cf. <http://www.hefce.ac.uk/learning/quality/quality.htm>, 16.11.98.

<sup>22</sup> Cf. The Quality Assurance Agency for Higher Education: Subject Review Handbook, October 1998 to September 2000, Reference No: QAA 1/97, 1997, p. 7.

(b) Teaching, Learning and Assessment

In this aspect, one finds the classroom observations. Besides the enthusiasm, care and dedication of the staff, the students' preparation and attendance is reviewed as well.

(c) Students' Progression and Achievement

The evidence of this aspect is of a statistical or quantitative nature. Reviewers expect universities to have data about their students' progression and achievement to answer all the questions that are likely to arise. Some of the questions might be, for example, about students' completion rates, progression of students to employment, level of stakeholder satisfaction etc. Reviewers expect universities, for example, to explain why a student does not complete a programme, or takes longer than normal to complete it.

(d) Student Support and Guidance

Universities are expected to provide both academic and pastoral help for their students. This includes support for students off-campus, in such activities as field studies, work experience and studying abroad, as well as support provided by central services such as careers, welfare groups, health and counselling. This aspect assumes that the educational process, and especially higher education, involves the whole personality of a student.

(e) Learning Resources

Learning Resources are, for example, textbooks and the library, which are nowadays supplemented with information technology, audio-visual and multimedia resources. The Learning Resources aspect considers the extent to which appropriate resources are available and effectively used to support the students' learning. Staff are seen as another important learning resource. Issues concerning staff emerge in three aspects. The first aspect is the matching of staff expertise to the curriculum. The second aspect is staff-student ratios, while the third is staff profile and deployment.

(f) Quality Assurance and Enhancement

This aspect considers all mechanisms for assuring and enhancing the quality of the entire educational provision. Universities are questioned by the subject reviewers as to how they know they can achieve their objectives at every level – programme, course, session – of the educational provision. Furthermore, how universities respond to the outcomes of their quality assurance mechanisms is important, in order to improve their educational provision.<sup>23</sup>

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<sup>23</sup> Cf. Cox, Bill/Ingleby, Amanda: *Practical Points for Quality Assessment*, 1997, pp. 55–128.

The team of subject reviewers grades each of the six aspects of provision during their three-day visit. The aspects are graded on a four-point assessment scale, from 1 to 4 in ascending order of merit. If all aspects are graded 2 or better, the quality of the education is approved. The university must take action to remedy shortcomings as a condition of further future funding, if any aspect is graded 1, unsatisfactory. If the university is not able to improve the position within 12 months, core funding and student places for that subject will be withdrawn. The overall summarising judgement is derived from each aspect's grade, while each aspect has equal weight.

The HEFCE wishes to have the outcomes of assessment visits in a form which can be used to decide on funding allocations. The outcomes of the subject review are grades for each of the aspects, comments identifying good practice and areas for improvement. This is published by the QAA in available reports.<sup>24</sup> As yet, there is no immediate link between the latter and the allocation of funds. One might comment that there is no real incentive for universities to carry out teaching practices well. Universities graded 2 to 4 do not get any extra funds and universities whose teaching is not approved by the subject reviewers are allowed 12 months in which to remedy the shortcomings. This supports the statement that the funding arrangements in the area of teaching give financial stability to the universities. The allocation of funds for teaching depends predominantly on the quantity rather than the quality of teaching done by the universities.

## 2.2 Research-related Funds

Public sources for research are the HEFCE and the six Research Councils. This is referred to as a dual support system. The Research Councils provide for direct project costs plus a fixed percentage to cover indirect costs. In addition to that the HEFCE contributes to the basic structure needed for research. This includes the salaries of permanent academic staff, and the costs of premises and central computing. In 1998/99, the HEFCE distributed £ 829 million to research, whereas the vast majority of this amount was allocated to quality-related research, taking the ratings of the Research Assessment Exercise (RAE) into account. The allocation of these funds is formula-based and will be the core interest of the following analysis. Basically, this grant is allocated to universities and colleges according to their quality and volume of research work. The HEFCE takes the following into account:

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<sup>24</sup> The interested reader may visit the web page: <http://www.qaa.ac.uk/revreps/subjrev/intro.htm>.

- the relative costs of different subjects, and the volume of research activity in each institution
- the quality and quantity of research done by each department, which is submitted to the RAE<sup>25</sup>

Many of the public research funds are based on quality ratings produced by the RAE covering universities in the United Kingdom. The first RAE was carried out by the University Grant Committee (UGC) in 1986. It covered the research funding for the university departments in the three years from 1986/87 to 1989/90. However, this first RAE was criticised for not making the basic criteria for assessment clear, for favouring larger departments and adopting different standards for different subjects. The second RAE was carried out by the UGC in 1989. It covered the research funding for the year 1990/91. This exercise emphasised the numerical totals of publications for all academic and research staff of each university. Although this exercise tried to avoid the mistakes made in the first RAE, the criticisms were the same.

In 1992, the third RAE took place, determining the research grants for four years from 1993/94 to 1996/97. This exercise differed from the previous ones by including the former polytechnics and a small number of other higher education institutions, which had been awarded university status. It was the first time that the so called "new" universities (mainly former polytechnics) had to compete for research funds on an equal footing with the "old" universities. Research in new universities tended to be focused on a small number of staff, whereas research in the old universities used to involve the vast majority of the staff. All universities were asked to only identify the staff actively engaged in research. Up to two publications and two other forms of public output by the active researchers were in the centre of the assessment.

The total cost of this exercise was £13.5 million, including 77,100 working days. This represented less than 0.5 percent of the advised £650 million per annum over the following four years.

Again the RAE attracted criticism, because the average rating for the old universities spanned the range from 2.94 to 4.82 with an average of 3.76 on a rating scale from 1 to 5, whereas a rating of 5 received four times as much funding as an assessment rat-

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<sup>25</sup> Cf. HEFCE: *About the HEFCE. An Introduction to the Work of the Higher Education Council for England*, April 98/16, p. 3.

ing of 2. There was no allocation of research funds to those with a rating of 1. The range for the new universities was from 1.36 to 2.36 with an average of 1.96. This led to a concentration of research funds within the old universities sector.<sup>26</sup>

The RAE, from 1996, informed and will inform on funding decisions until 2001-02. The exercise followed an approach broadly similar to that of 1992. Universities had to provide data on staff and on publications and other forms of assessable outputs on the census date 31 March 1996. The RAE set the incentive to the academics to increase the amount of published output in order to increase the research funds allocated to their institutions. Evidence could be found that academics published more frequently and segmented work in multiple publications. To counteract this tendency, as it must be seen as dysfunctional, institutions had to list four works published for each member of research staff during the period from 1 January 1992 to 31 March 1996. With the latter regulation, the RAE shifted its emphasis from output to quality.<sup>27</sup> The following analysis will be based on the RAE conducted in 2001 to inform research funding decisions from 2002/03 onwards. It was similar to the RAE in 1996.

### 2.2.1 Volume Measures

The volume of research in each unit of assessment is calculated, on the one hand, to determine total funding for each subject area and, on the other hand, to distribute the subject area's total funding between the units of assessment.

The HEFCE divides all academic subjects into 69 subject areas. To determine what amount of the quality-related research fund will be allocated to each subject area, the volume of research in each area has to be ascertained. For this purpose all units of assessment are assigned to one of the 69 subject areas.<sup>28</sup>

Business & Management, for example, is assigned to price band A with a cost weighting 1.0 and Clinical Dentistry is assigned to price band C with a cost weighting 1.7. The volume of research done in each of the 69 subject areas is determined mainly by the number of active research staff working within each one. By multiplying the subject

<sup>26</sup> Cf. Ball, Derrick F.: Quality measurement as a basis for resource allocation: Research assessment exercises in United Kingdom universities. In: *R&D Management*, 03/1997, pp. 281-282.

<sup>27</sup> Cf. *Ibid*, pp. 284-285.

<sup>28</sup> Cf. [http://www.hero.ac.uk/rae/Pubs/4\\_01/](http://www.hero.ac.uk/rae/Pubs/4_01/), 25.07.2002

area's cost weighting with the volume of research done in it, the subject area's relative share of the total research funds is determined.

### 2.2.2 Assessing Quality

As already mentioned, the determination of the research volume in each subject area is not only for the purpose of allocating the total funds to the 69 subject areas, but also to distribute the funds within the subject areas to the units of assessment. This distribution of the 69 subject totals between the institutions is proportional to the volume multiplied by the quality of research in the subject for each unit of assessment. The quality of the unit is assessed by peer review in a RAE conducted every four or five years, as described above. For the RAE, the units of assessment have to submit the research output, which can be publications, products or even artistic performances, of their research staff selected for the assessment in the RAE. Each submission is judged against standards of national and international excellence on a seven-point scale, from 1 at the bottom through 2, 3b, 3a, 4, and 5, to 5\* (five star) at the top.<sup>29</sup> These ratings are converted into funding weights, which are multiplied with the volume of research done in each unit of assessment. This determines the relative proportion of the research funds, which each unit attracts. Units of assessment with a research rating of 1 or 2 did not attract any HEFCE funding for research, whereas a unit ranked 5\* attracts approximately four times as much funding as a rating of 3b for the same volume of research.

## 3 CONCLUSION

In the centre of the papers' analyses are the funding arrangements given by the HEFCE which are the institutional settings influencing the university's position. The HEFCE's objective is to achieve high-quality and cost effective teaching and research within a financially healthy higher education sector. To meet this objective, the HEFCE introduced a type of penalty-reward system to English universities by linking the performance of a university's teaching and research to its funding. The system penalises universities by withdrawing public funding and rewards them by allocating funds to them.

The funding arrangement for research funds leads to a concentration of these funds in a small number of institutions. This designation of particular universities to particular tasks diversifies the British university system, although the funding arrangements with-

<sup>29</sup> Cf. <http://www.hefce.ac.uk/research/funding/qrfunding/default.asp>, 24.05.02.

in the higher education sector are unitary. The unanimous conviction is that the British higher education system will remain diversified in the future with a few universities becoming research centres with national and international excellence, whereas the majority of universities, mainly former polytechnics, will concentrate on teaching activities. It seems to be the HEFCE's conviction that good teaching, which should be provided in the whole university sector, does not rely on research. In other words: Research does not always benefit teaching.

The very method of the RAE may be problematic to the university system. The HEFCE uses a peer control system for its quality-related research funding by counting the units of assessment publications. This system seems to be valid for most of the mainstream research, but one might argue that peers, as human beings, may fail in evaluating the research quality of their equals, if this research is done in an innovative area. The historical case of *Galileo Galilei* can be seen as a good example of peer control failure. He unsuccessfully tried to convince his peers and the church's representatives that the Copernican system, according to which the earth is the centre of the universe and motionless, had to be replaced by the Ptolemaic system, stating the opposite.

The subject review process, implemented by the HEFCE in the universities, has to be seen as a positive attempt in increasing teaching quality. There is certainly a problem in identifying teaching excellence, which might be due to the fact that the teaching process is characterised by a certain invisibility, making some parts of the process unobservable. The subject review process, on the other hand, however, asks the universities to work on their educational provision. In the self assessment documents, on which the review method is based, the institutions have to describe, evaluate and substantiate their educational provision. This does not directly improve the teaching quality but ascertains that the teaching takes place in an institution which is aware of its objectives.

The documentation, which is not only the self-assessment document, required for the subject review might be seen in itself as dysfunctional, because it has to be provided on an incremental basis. It might be irritating for academics to produce documentation instead of actually improving their teaching. One might gain the impression that the more a university documents, the better the teaching grade becomes. Avoiding this paperwork explosion will be the challenge of the subject review process.

The successive teaching and research assessments have an impact on the labour market for academic staff. On one hand, the labour market within the universities has changed.



Some academics feel increased pressure on them to produce a certain quantity of refereed journal articles in a given time constraint and, in addition to that, to have the documentation required for the teaching assessment ready. On the other hand, the labour market for academics outside their university has changed. Universities, which want to attract research funds, try to recruit staff whose quality in publications promise to improve or at least sustain the research rating. To achieve this, universities even apply head hunting activities.

A market culture within the higher education sector has to be considered critically. Even though the funding system set by the HEFCE provides the sector with financial stability, the fact that dysfunctional effects are caused by it cannot be neglected. Competitive values have been incorporated and competitive behaviour has been stimulated between, and within, universities. Students, colleagues and subjects are merely viewed on the basis of their contribution within the funding system and compete for the scarce resources.

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