

CHER 17th annual conference Enschede 2004

**More competition in German higher
education? Expectations, developments,
outcomes**

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Introduction: HE Policy in Germany

⊕ Policy argument: More competition

➤ Demand-orientation / Best-practice / Efficiency

⊕ Two further policy goals:

- Budget restraints and budget cuts
- Restructuring and system reform

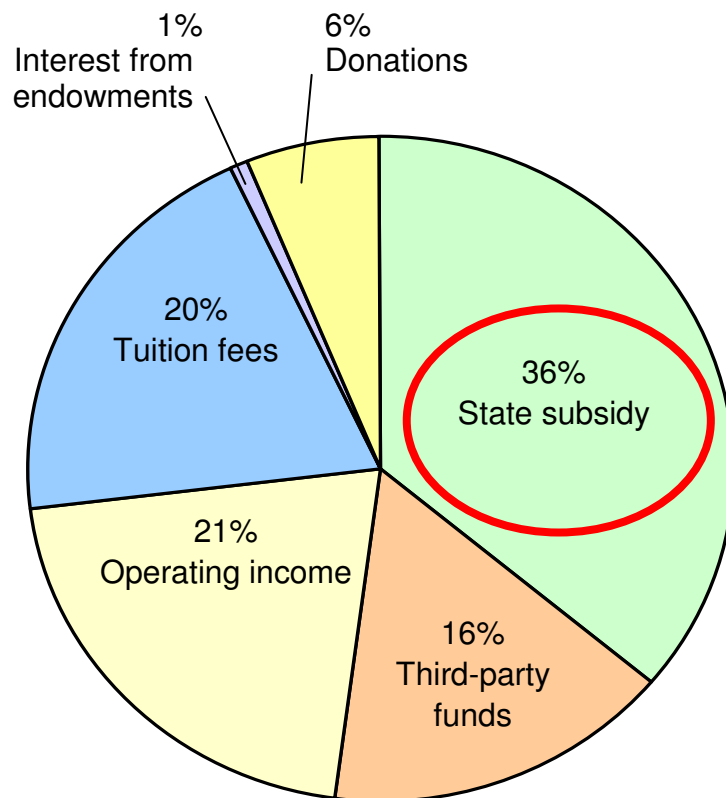
>> How much competition between institutions should there be? <<

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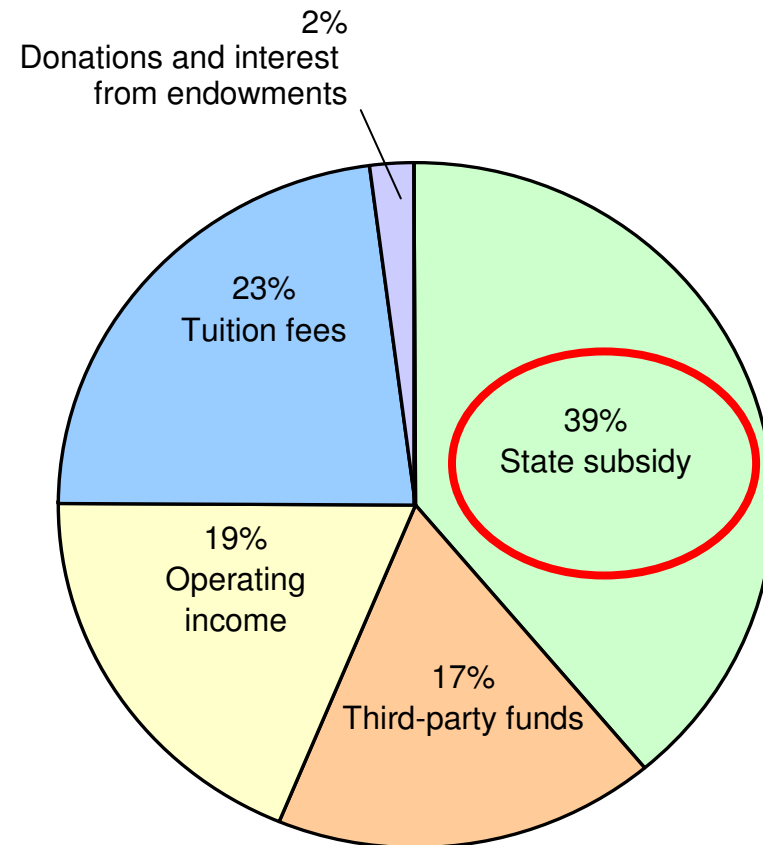
- ⊕ Step 1: International comparison
 - HEIs' income in UK and USA compared to Germany
 - Methods of allocating state subsidy in German *Ländern* and selected OECD countries
- ⊕ Step 2: Regional context
 - Funding in Berlin within a context of restructuring and budget constraint
- ⊕ Outlook: More competition in Germany in the future?

Sources of higher education funding in UK & USA

USA (public universities without medicine)
€ 124.5 billion 2000

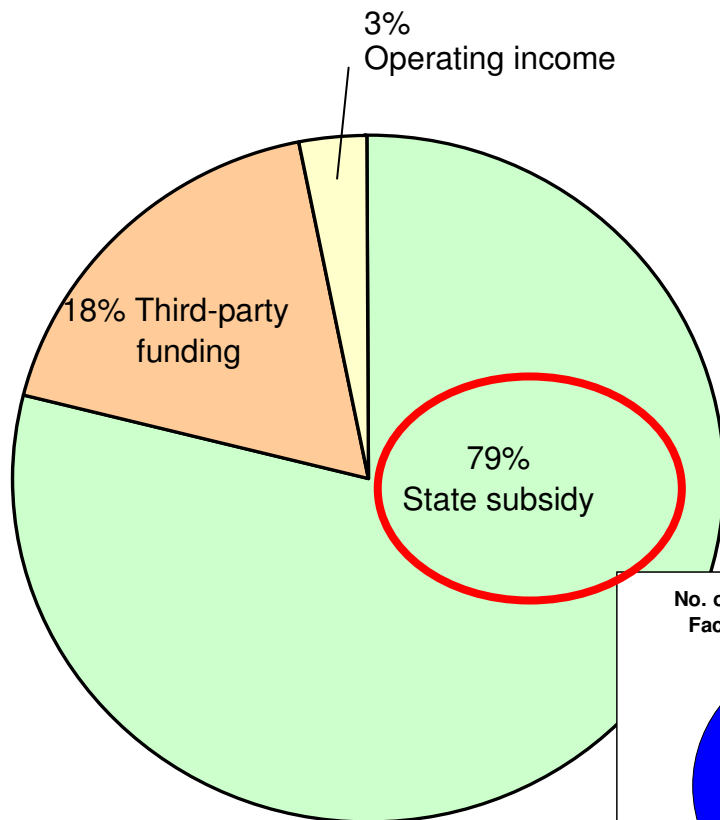


UK (public universities *with* medicine)
€ 21.7 billion 2001

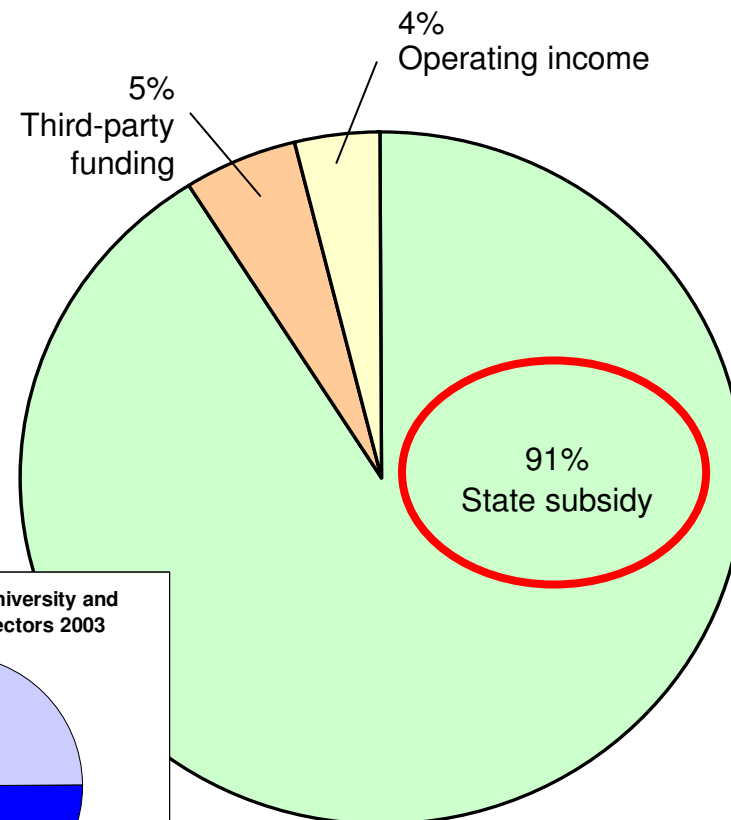


Sources of higher education funding in Germany

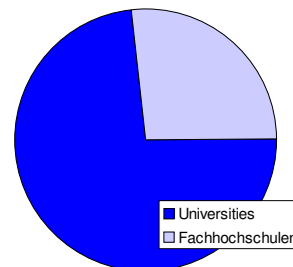
Universities € 12.1 billion 2001
(without medicine)



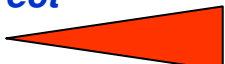

Fachhochschulen € 2.6 billion 2001



No. of students in university and
Fachhochschule sectors 2003



Main components of state subsidies to HEIs

| | <i>High level of direct competition</i>  | |  <i>High level of centralised budget planning</i> | |
|--------------------------|--|--|--|--|
| Funding component | Formula-based funding | Project-based funding (earmarked grants) | Mission-based funding | Discretionary incremental funding |
| Basis of funding | Formulaic measurement of an institution's performance and performance of other <u>competitors</u> using <u>indicators</u> . Ex-post indicators assure a direct measurement of performance. | An institution's (or consortium's) project proposal and <u>competing proposals</u> . | Negotiations between state and <u>individual</u> HEIs. | An <u>individual</u> institution's previous year's budget. |

Components of state subsidies to universities in Germany & their relative proportion 2003

| German State | <i>High level of direct competition</i> | | <i>High level of centralised budget planning</i> | |
|----------------------------|---|--|--|---|
| | Formula-based funding | Project-based funding (earmarked grants) | Mission-based funding | Discretionary incremental funding (approx.) |
| | % | Yes/No | Yes/No | % |
| Baden-Württemberg | 21 | No | No (10% 2005) | 79 |
| Bayern | 2,4 | No | No | 97,6 |
| Berlin | 10 | No | No | 90 |
| Brandenburg | 95 | No | Yes (marginal) | 5 |
| Bremen | 5 | No | Yes (marginal) | 95 |
| Hamburg | 4,2 | No | No | 95,8 |
| Hessen | 95 | No | Yes (marginal) | 5 |
| Nordrhein-Westfalen | 8,4 | No | Yes (marginal) | 91,6 |
| Rheinland-Pfalz | 95 | No | No | 5 |
| Thüringen | 15 | No | Yes (marginal) | 85 |

Components of state subsidies to universities in selected OECD countries & their relative proportion 2003

| Country | <i>High level of direct competition</i> | | <i>High level of centralised budget planning</i> | |
|------------------|---|--|--|-----------------------------------|
| | Formula-based funding | Project-based funding (earmarked grants) | Mission-based funding | Discretionary incremental funding |
| | % | % | % | % |
| Australia | 94* | 6 | - | - |
| England | 83 | 17 | - | - |
| Finland | 68 | 20 | - | 12 |
| Ireland | 63 | 7 | - | 30 |
| Norway | 60 | 7 | - | 33 |
| Sweden | 62 | - | 38 | - |
| Spain (Valencia) | 84 | - | 12 | 4 |
| Czech Republic | 58 | 30 | - | 12 |

Regional level: State initiatives in Berlin

⊕ Budget constraint and cuts:

- Between 1995 and 2003 cut of 8% (€81 million), further €80 million cut between 2003 and 2005
- Funded study places down from 115 to 85 thousand

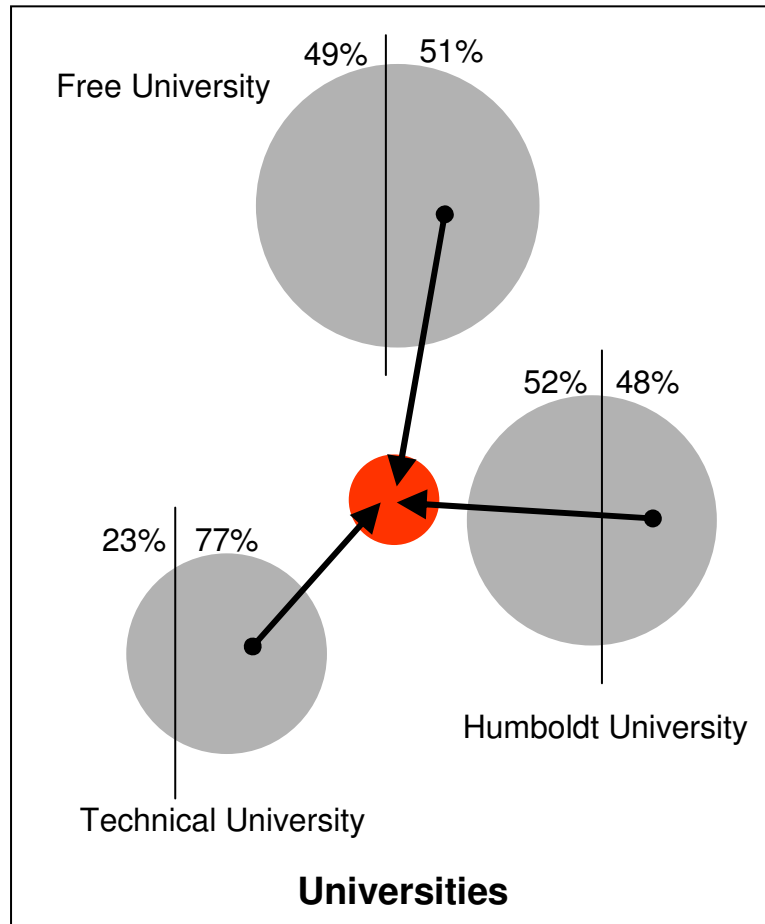
⊕ Fachhochschule restructuring fund

- 2 thousand new study places in FHS funded by cuts to universities

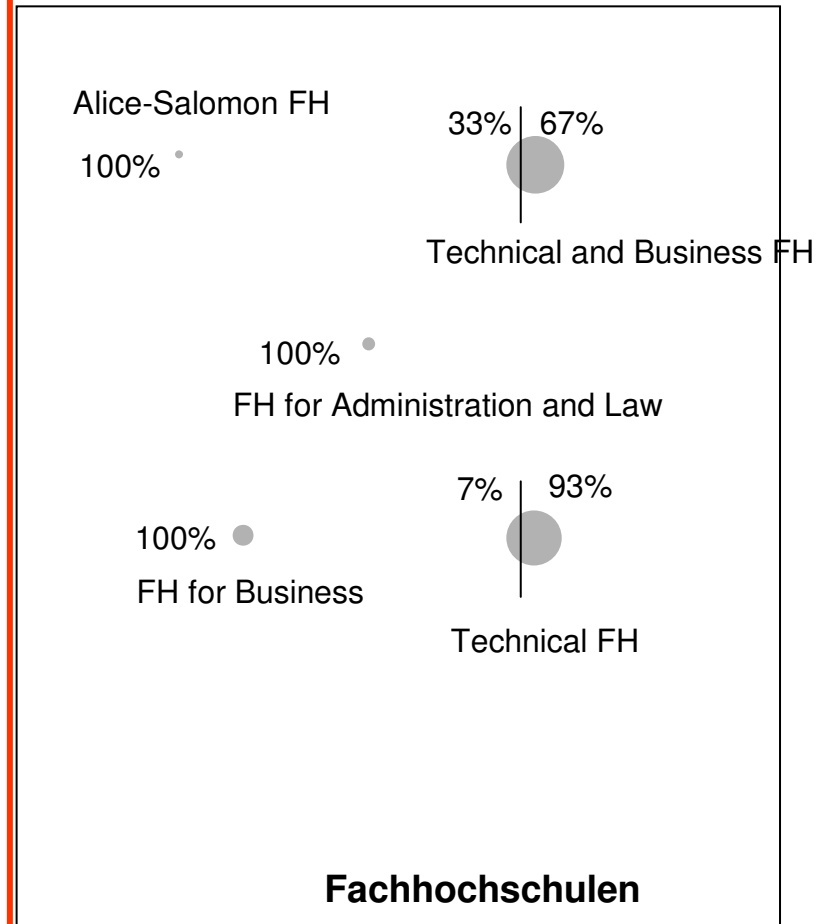
⊕ Funding

- Contracts to give HEIs a degree of income stability
- Competitive formula funding for 15% of subsidy
 - Only similar institutions compete directly

Levelling the competitive field

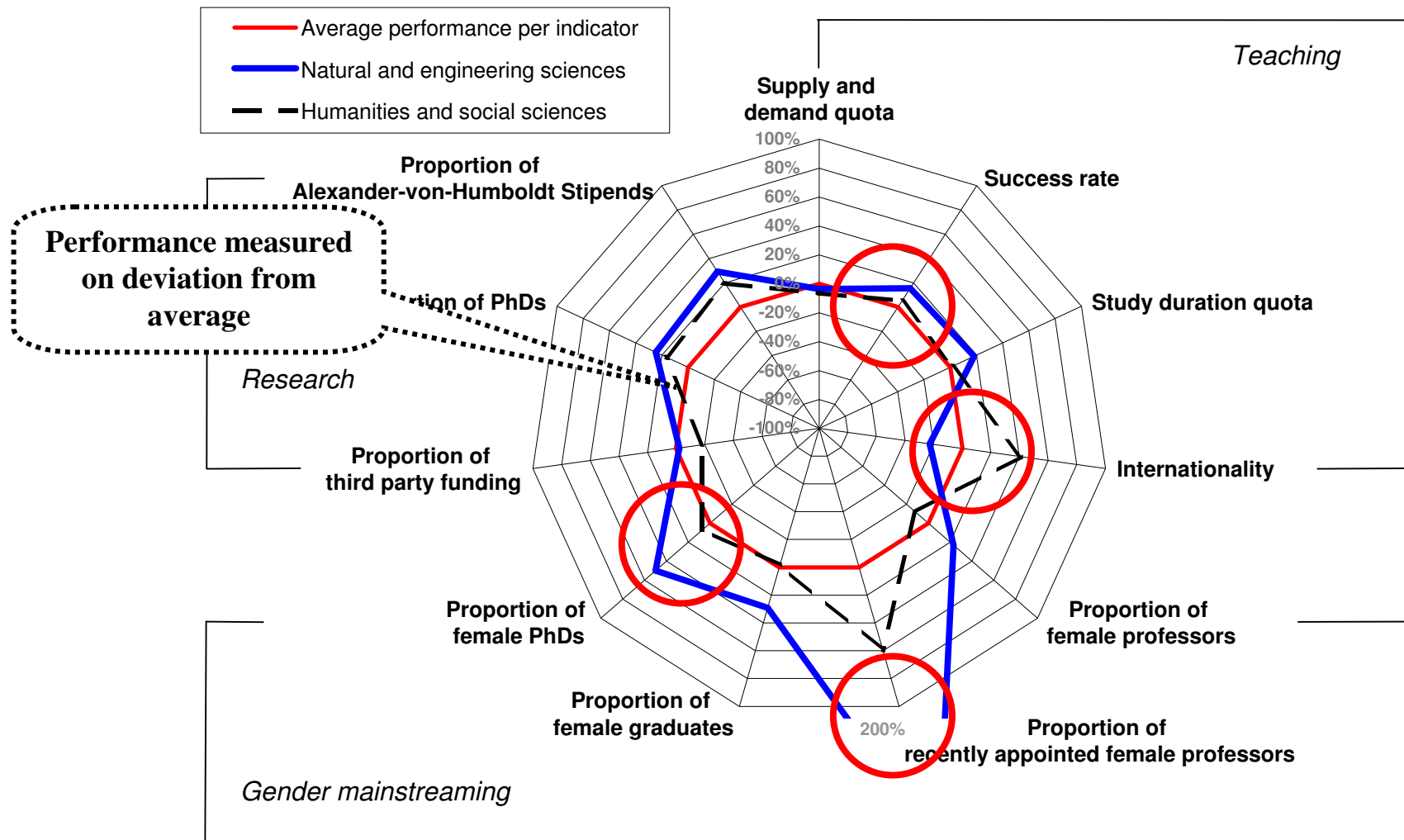


KEY: bubble size: number of enrolled students; lefthand percentage: budget for subject group humanities and social sciences; righthand percentage: budget for subject group natural and engineering sciences



KEY: bubble size: number of enrolled students; lefthand percentage: budget for subject group social and business sciences; righthand percentage: budget for subject group technical sciences and design

Performance profile FU-Berlin 2004



Outlook: More competition, better funding systems or both?

- ⊕ Berlin: Competition is being used by the state as an *additional* lever, but not as dominant coordination instrument
- ⊕ Germany: reduction in importance of discretionary & intransparent allocation methods
- ⊕ “Smart funding” in new conditions
 - Diversification
 - EU/Internationalisation
- Variety of funding methods dependent on policy context
- Importance of competition will increase
 - ...when budget cuts and interventionalist restructuring efforts decrease

Thank you

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- ⊕ Germany: reduction in importance of discretionary & intransparent allocation methods
- ⊕ “Smart funding” by states, particularly because of new conditions
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