

# The position of competition in state models for performance-based funding in German higher education: Critical assessment of variations and trends in the German Länder

RESUP conference "Universities and their markets"

Paris, 1 February 2007  
Astrid Schwarzenberger

- 1. Introduction to German higher education funding**
2. Operationalisation of incentives for competitive performance in formula-based funding
3. Indicators used in formula funding models
4. Use of target agreements
5. Internal allocation procedures
6. Conclusion

## *Introduction to German HE funding*



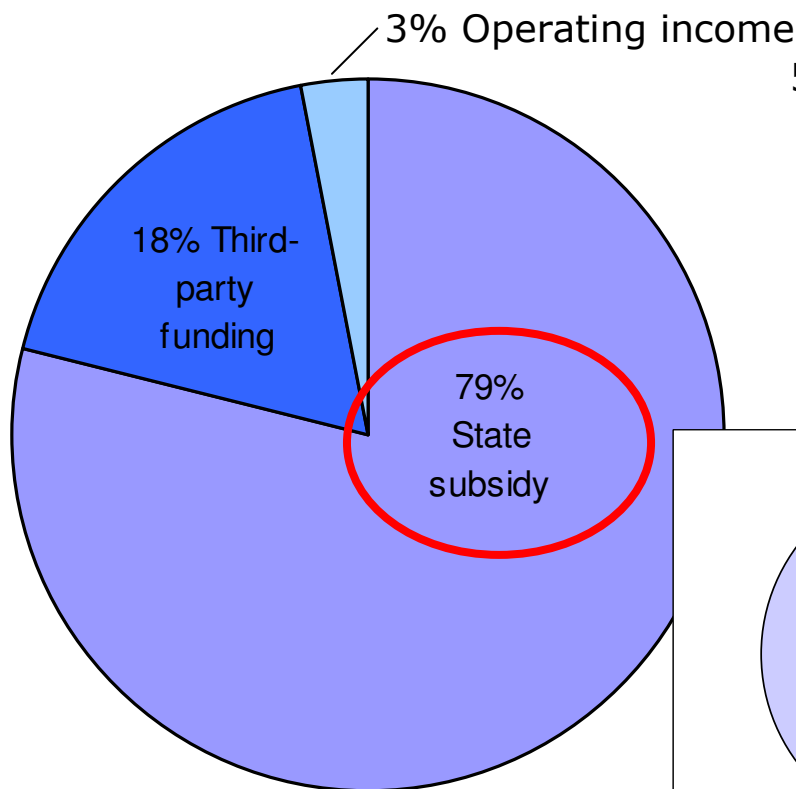
16 *Länder*

each responsible for higher education within its realm

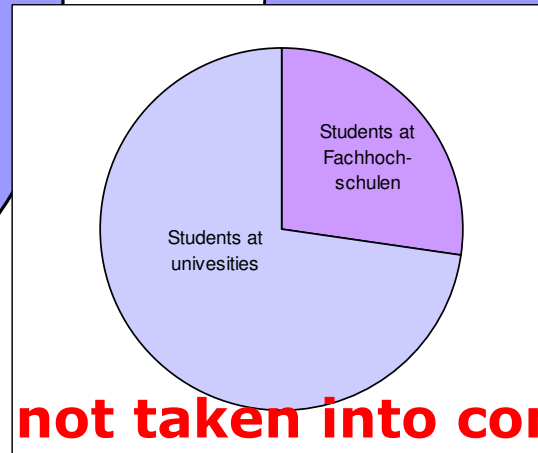
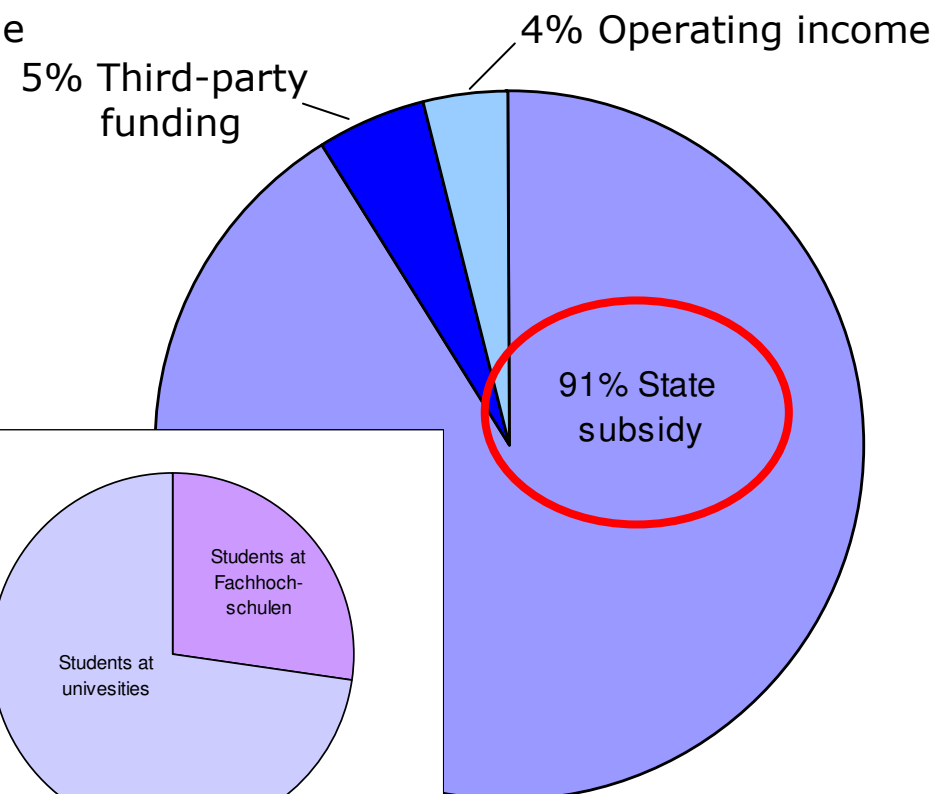
Map: © Bundesamt für Kartographie und Geodäsie [www.ifag.de](http://www.ifag.de)

## Introduction to German HE funding

### Universities (without medicine)



### Fachhochschulen



**Tuition fees (as of 2006) not taken into consideration yet!**

## Introduction to German HE funding

	2000	2001	2002	2003	2004	2005	2006	Comments on stability of model
Baden-Württemberg	14	14	21	20	20	20	<b>20</b>	<i>Stable. Review in 2007</i>
Bayern	1.5	1.5	1.5	1.5	1.5	1.5	<b>1.5</b>	<i>Review in 2007</i>
Berlin			6	10	15	15	<b>20</b>	<i>Reviewed in 2004</i>
Brandenburg					95	95	<b>95</b>	<i>Review in 2007</i>
Bremen				5	5	10	<b>10</b>	<i>Reviewed in 2005</i>
Hamburg			5	5	5	85	<b>85</b>	<i>Model extension in 2004</i>
Hessen				95	-	-	-	<i>Model put on hold. Under review</i>
Mecklenburg-Vorpommern			1	1	2.5	2.5	<b>4</b>	<i>Stable growth</i>
Niedersachsen							<b>3</b>	<i>Growth planned. Procedure for Fachhochschulen since 2000</i>
Nordrhein-Westfalen			8	8	14	17	<b>20</b>	<i>Stable growth</i>
Rheinland-Pfalz	95	95	95	95	95	95	<b>95</b>	<i>Stable</i>
Sachsen						1	<b>1</b>	<i>Review 2006/07</i>
Schleswig-Holstein							<b>5</b>	<i>New model</i>
Thüringen				15	15	15	<b>15</b>	<i>Stable. Review planned for 2008</i>

## *Agenda*

1. Introduction to German higher education funding
- 2. Operationalisation of incentives for competitive performance in formula-based funding**
3. Indicators used in formula funding models
4. Use of target agreements
5. Internal allocation procedures
6. Conclusion

## *Operationalisation of incentives in formula funding models*

- from “discretionary incremental funding” to formula funding models
- trade-off between predictability and flexibility: only small share of state grant allocated via formulae
- basic grant vs. performance grant

## ***Operationalisation of incentives in formula funding models***

- scope of competition:
  - competition between all institutions
  - separate competitions between universities and between *Fachhochschulen*
- choice of benchmark:
  - institutions' performance within one *Land*
  - national average
  - institutions' past performance
- differences between subject groups:
  - separate competition within subject areas
  - weightings



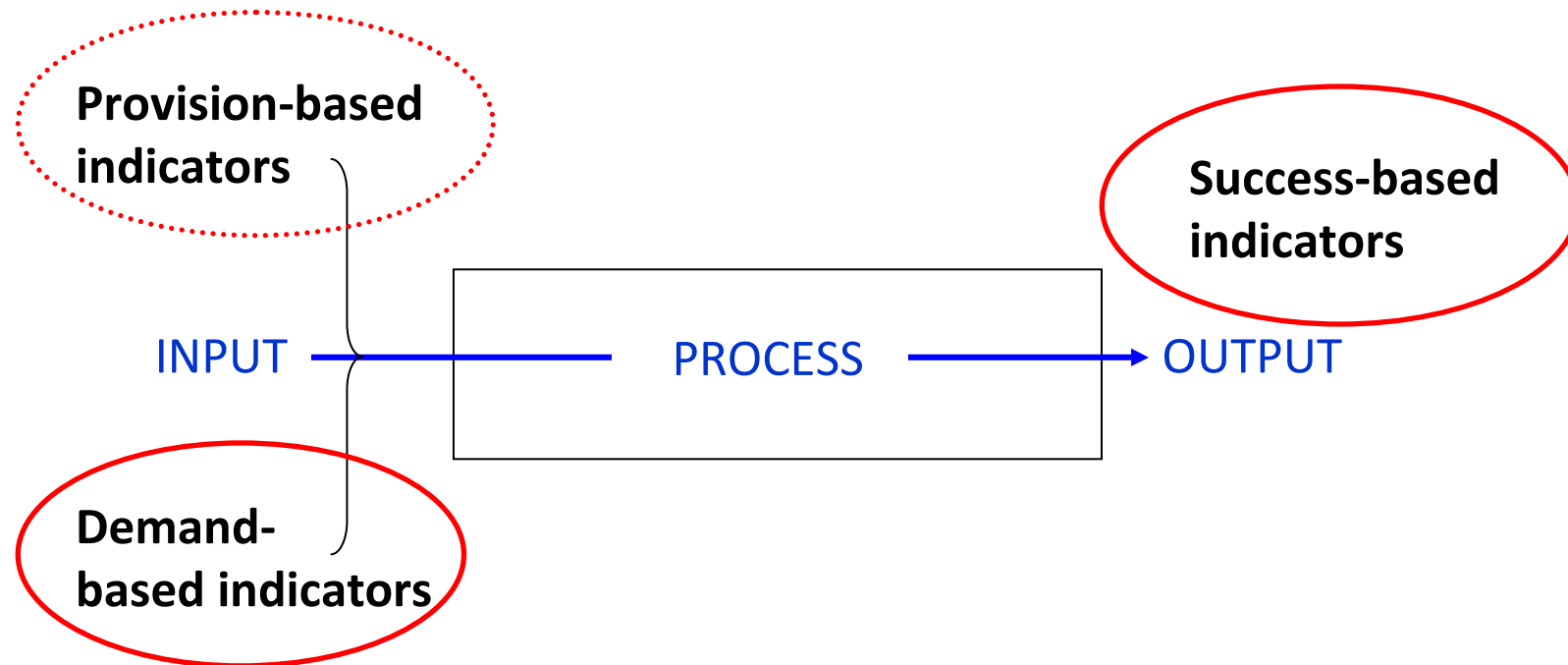
## *Operationalisation of incentives in formula funding models*

- limited funds: improved performance, but still lose out?
- limited losses (and gains): tolerance bands

## ***Agenda***

1. Introduction to German higher education funding
2. Operationalisation of incentives for competitive performance in formula-based funding
- 3. Indicators used in formula funding models**
4. Use of target agreements
5. Internal allocation procedures
6. Conclusion

## *Indicators used in formula funding models*



## *Indicators used in formula funding models*

### Observations

- main areas: teaching and research  
also included: gender equality, internationalisation
- focus on teaching rather than research
- concentration on just a few homogenous indicators:
  - teaching: number of students/graduates
  - research: third-party funding; doctorates and *Habilitationen*

## *Indicators used in formula funding models*

### Problems

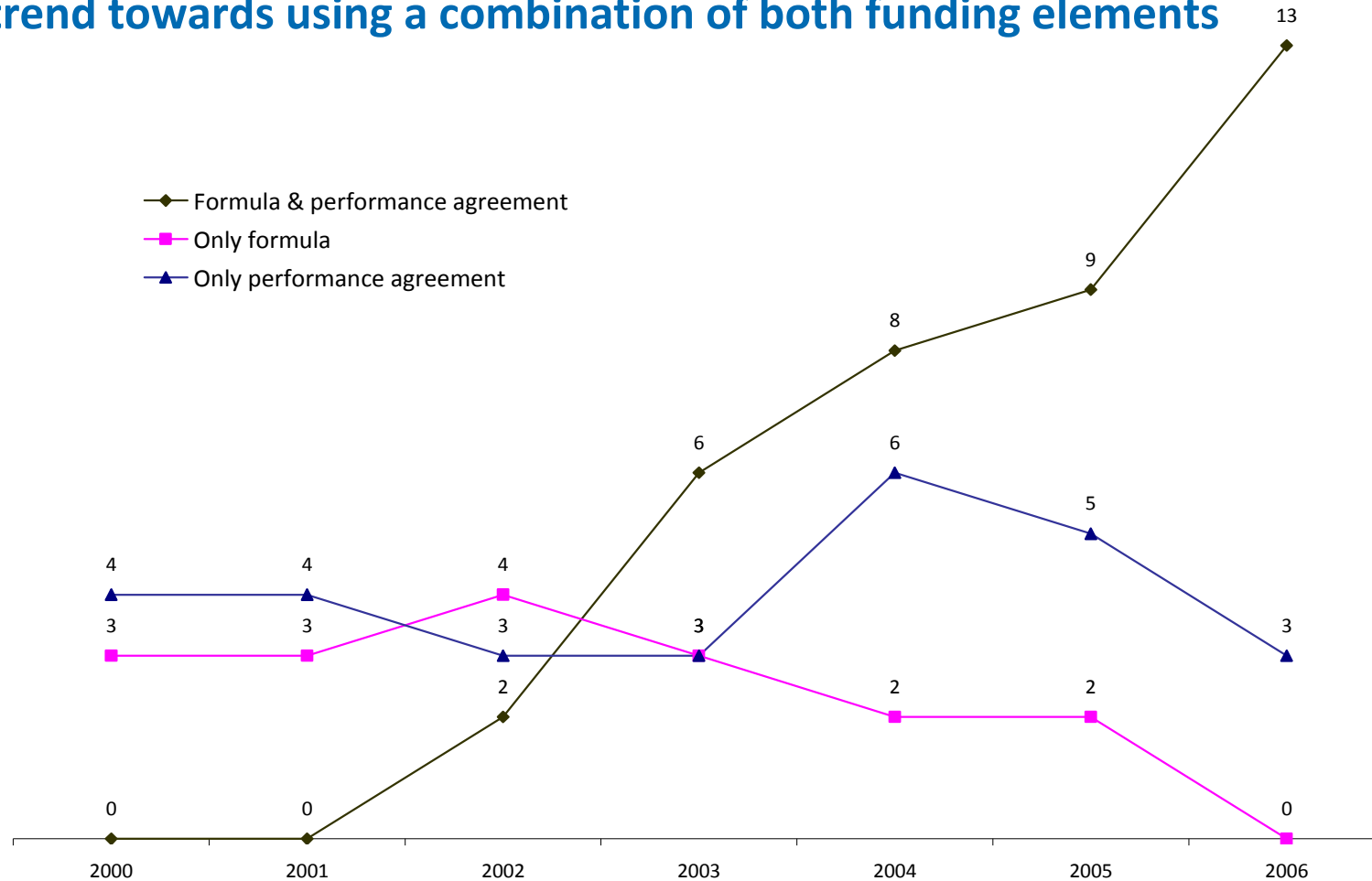
- conflict of stability and reactivity
- time lag: reference to values from previous years
- differences between subject groups
- number of indicators used

## ***Agenda***

1. Introduction to German higher education funding
2. Operationalisation of incentives for competitive performance in formula-based funding
3. Indicators used in formula funding models
- 4. Use of target agreements**
5. Internal allocation procedures
6. Conclusion

## Use of target agreements

The number of Länder using formula-funding and/or performance agreements 2000-2006:  
**A trend towards using a combination of both funding elements**



## ***Agenda***

1. Introduction to German higher education funding
2. Operationalisation of incentives for competitive performance in formula-based funding
3. Indicators used in formula funding models
4. Use of target agreements
- 5. Internal allocation procedures**
6. Conclusion



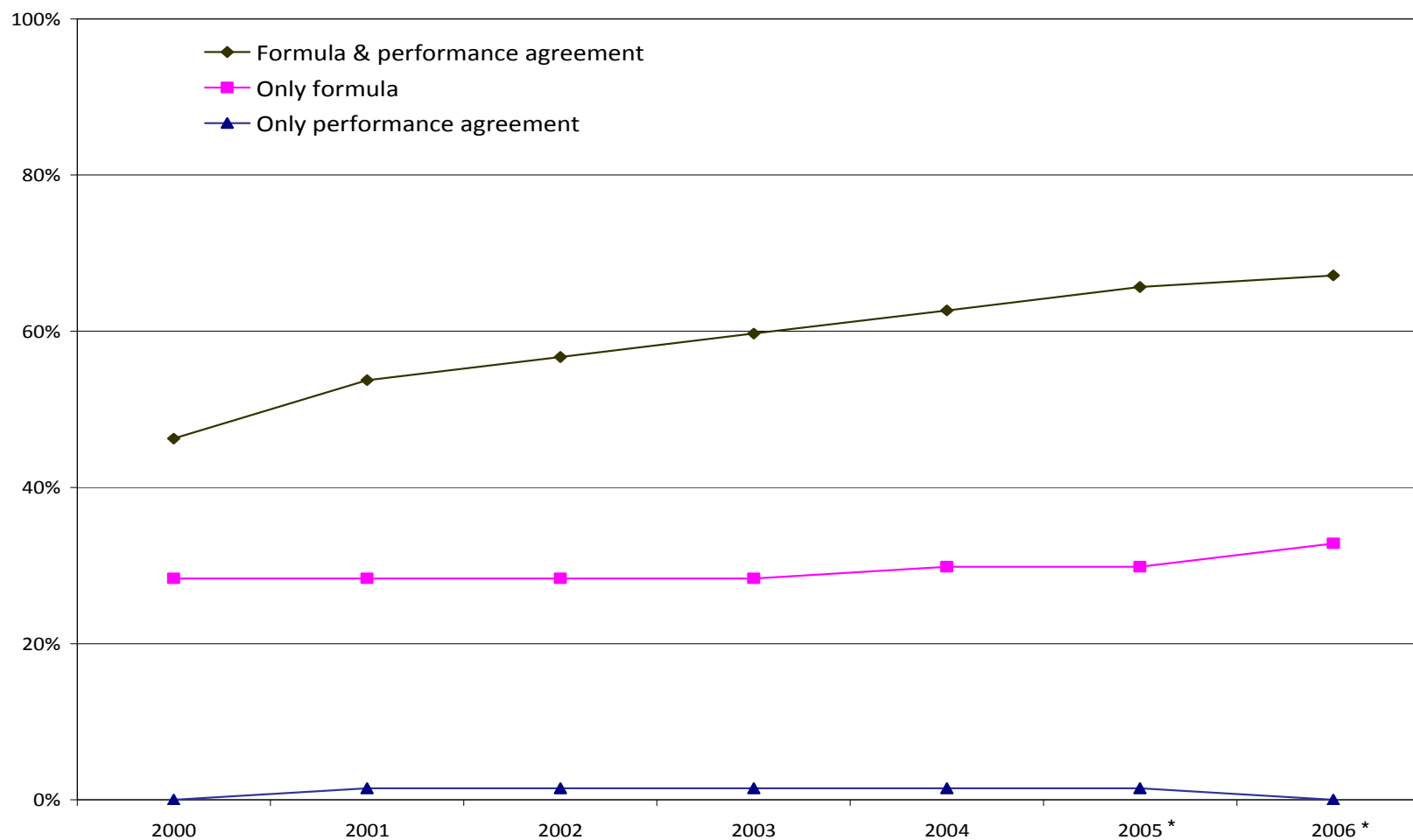
## *Internal allocation procedures*

State of implementation at public German universities (2003):

- 86% of universities use indicator-based models, a further 12% have concrete plans to introduce them
- 29% of universities use target agreements, a further 28% intend to introduce them

## Internal allocation procedures

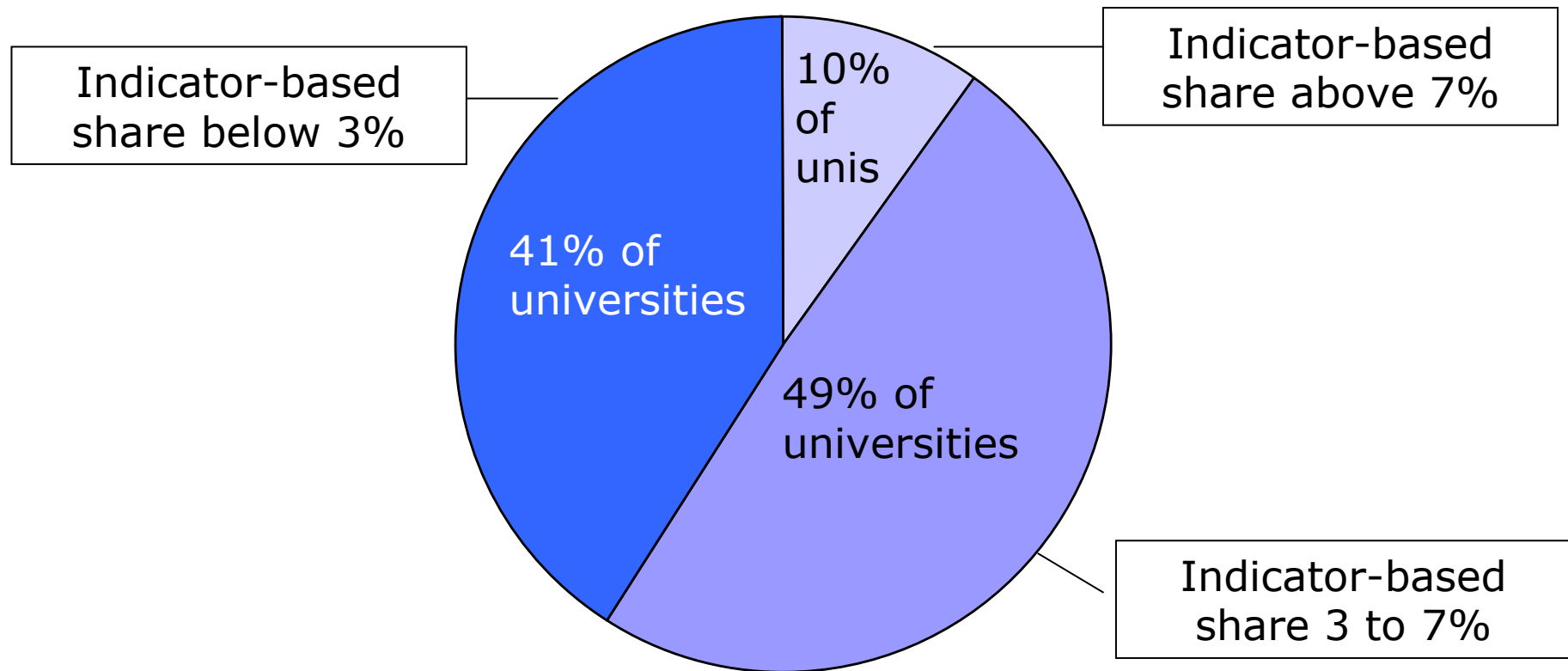
### The share of universities using formula-funding and/or performance agreements 2000-2006



\* Planned developments. The survey was carried out in 2004.

## *Internal allocation procedures*

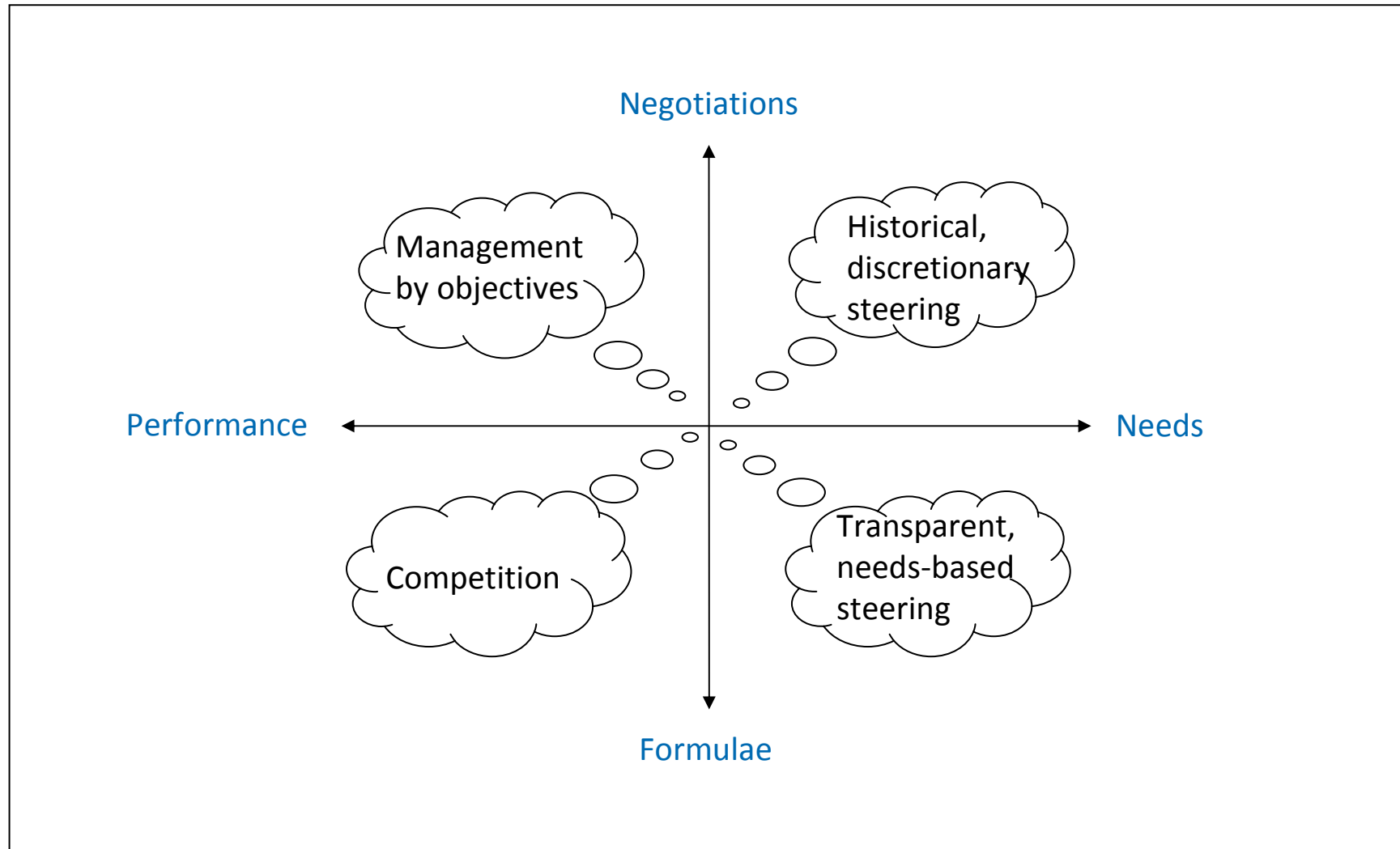
### Relevance of indicator-based funding for the budget



## ***Agenda***

1. Introduction to German higher education funding
2. Operationalisation of incentives for competitive performance in formula-based funding
3. Indicators used in formula funding models
4. Use of target agreements
5. Internal allocation procedures
- 6. Conclusion**

## Conclusion



## Contact

HIS Hochschul-Informationen-System

Goseriede 9, D-30159 Hannover

Internet: [www.his.de](http://www.his.de)

Astrid Schwarzenberger:

Phone: +49-511-357706-30, [schwarzenberger@his.de](mailto:schwarzenberger@his.de)

Dr. Dominic Orr:

Phone: +49-511-357706-31, [orr@his.de](mailto:orr@his.de)

**Thank you for your attention**