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Higher Education Reforms and Revitalization of the Sector

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Abstract. The unprecedented expansion, diversification of provisions, programmes and sources of funding, and a favourable policy support are signs of revitalization of higher education. The reforms initiated in the recent past have contributed to this process of revitalization. Based on a review of reforms in different countries, this paper classifies reforms into three distinct, but related categories, namely: reforms to enhance capacity to produce and use knowledge; reforms to reposition higher education to changes in the political orientation and employment market; and reforms to expand higher education. These reforms have helped to reduce state control, increase institutional autonomy, make institutions self-reliant and responsive to the requirements of the production sectors, and bring the higher education decision-making process closer to the market. It seems the reforms may have contributed to a widening of inequalities and if such is the case, state interventions need to focus on reprioritizing investments to ensure equity.

Keywords: autonomy, budget students, competitive funding, cost recovery, diversification, harmonization, institutional restructuring, performance contracts, privatization, revitalization

1. Introduction

The higher education system expanded in the decades of 1960s and 1970s thanks to the state support the sector received. This was followed by a decade of decline of the sector in the 1980s when enrolment and the share of public resources allocated to higher education declined in many countries. The share of developing countries in additional enrolment in higher education declined from 85 per cent in 1980 to 50 per cent in 1995. To overcome the financial constraints, many governments introduced cost reduction strategies, which included staff reduction, a freeze on new appointments, and a freeze on increase in staff salary, which encouraged many staff members to migrate to other sectors of employment or to other countries. Deterioration of physical facilities and academic

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standards combined with faculty attrition have contributed to a sharp decline in the quality of teaching and research. Many universities, especially in the developing world, fell into a severe state of disrepair.

These trends have been reversed in this millennium. Between 1995 and 2008, the system not only expanded considerably, but the developing countries also accounted for more than 90 per cent of the additional enrolment in higher education; budgetary allocation to higher education increased in most of the countries; staff salaries improved as did teaching and learning conditions. At present, both the state and households are willing to invest in higher education. This has contributed in no small measure to the revitalization of higher education.

These changes can partly be attributed to the changing perception of the economic value of higher education in production. With the emergence and expansion of knowledge-based production, the capacity to produce and absorb knowledge produced elsewhere became an influential factor in promoting economic growth. Empirical evidence supported the view that 'capacity to mobilize knowledge and use it to the full' (World Bank, 2008, p.3) determines the pace of growth of knowledge economies. Given the role of higher education in knowledge production and use, the revival of the sector is seen as a necessary condition for fostering faster economic growth.

The revitalization of the sector involved favourable public support, increased investment – especially from non-government sources –, diversified provisions and programmes, unprecedented expansion, and serious efforts to improve quality. This paper shows that the revitalization of the sector is the result of the reforms introduced. Most of the reforms in higher education focused on enhancing the role of higher education in knowledge production, on realigning higher education with production sectors of the economy, and on expanding the system. These reforms taken together led to reduced state control, made institutions more self-reliant, and households became more willing investors in higher education. This new context forms the basis for revitalization of higher education.

The next section of the paper discusses the major concerns in higher education reforms, followed by a review of the type of higher education reforms in a selection of countries (Section 3). Section 4 analyses the implications of these reforms for governance and management of higher education. Based on the discussions on reforms, Section 5 identifies the issue of university autonomy and its effects on governance and management. The final section makes some concluding observations.

2. The major concerns in higher education reforms

The reforms in higher education are many and the nature of reforms varies among countries. A review of reforms in several countries indicates that the pressure to reform came from three sets of actors – the state, the employers and the households. The core concerns in reforms were also an effort to satisfy these actors. These core concerns, common across reforms in several countries, may be categorized into three distinct, but related, factors: a) a concern for knowledge production and use

of knowledge in production; b) a concern for realigning higher education to the employment market; and c) a concern for expanding higher education.

a) A concern for knowledge production and use of knowledge in production

Knowledge has become a springboard of economic growth and development (The Taskforce on Higher Education and Society, 2000), and it has become a defining character of modern economies. Given the economic value of knowledge, it has become dear to corporations and rewarding to those who invest in its production. Knowledge and human capital has been 'the single-most important engine of growth in OECD countries in the past three decades' (OECD, 2000, p.17) and the driving force of economic performance (UIS/OECD, 2003). The capacity for higher education institutions to innovate and produce knowledge and absorb knowledge produced elsewhere has become a necessary condition for accelerated growth. The countries with higher levels of investment in Research and Development (R&D) activities have higher potential for growth and to retain, if not improve, their competitive edge in the globalized production process. Therefore, investing in knowledge production through improving quality in higher education has become a necessary condition for improving economic performance and competitiveness. 'Research and education are core national production factors contributing to industrial and technological competitiveness' (Dobbins, Knill & Vogtle, 2011, P.670). Enhancing quality in higher education implies focus on research and excellence in teaching. Most of the reforms focusing on the creation of research universities, the development of university ranking systems, and on quality are visible signs of reforms stemming from the economic value of knowledge and higher education. These concerns make higher education dear to the state and the corporate world.

b) A concern for realigning higher education to the employment market

The public sector has traditionally been the major employer of university graduates. Over a period of time, employment in the public sector decelerated and that in the private sector increased. Liberalization policies and the globalization process helped expand market based sectors to increase their share in production and employment generation. The type and nature of skills required in these sectors differ from the skills demanded in the traditional public sector job market. Traditional public universities in many countries could not offer courses aligned to the requirements in the emerging production sectors of the economy. Further, a large variety of jobs did not need skills to be developed through a long duration study programme leading to a degree offered by a university. This led to various reforms to diversify institutions providing post-secondary education (PSE), including changes to programmes of study, duration of study, and certification procedures. The skill premium enjoyed by PSE graduates was an incentive for households to invest and for public authorities to

transfer the burden from the state to individuals seeking such diversified higher education.

c) A concern for expanding higher education

The compulsions to expand higher education have come from various sources. The knowledge economies and process of globalization has been one such influence. Globalization demands skills and competencies which are developed mostly at the post-secondary level of education. Another source of pressure to expand has been the increasing demand for higher education. Given the large number of secondary school graduates seeking PSE, the social pressure to expand the system was high. However, the public institutions neither had places nor funds to respond to this increasing social demand. This formed a basis for reform which led to two patterns of relying on non-state funding for expansion: privatization of public institutions; and promotion of the private sector in higher education (Varghese, 2004). Associated reforms related to new forms of financing the sub-sector – including cost sharing, cost recovery, and income generation – and stem from the compulsions of the state to expand higher education in a fiscally constrained environment. These reforms indicated a move from state to non-state financing to expand higher education.

The effects of these reforms are very encouraging. The enrolment in higher education increased from 100 to 158.7 million between 2000 and 2008 (UIS, 2010). The average annual increase in enrolment was around 7.3 million in the first decade of this millennium – the largest expansion experienced by the higher education sector in any decade. It is equally important to note that the expansion was universal and was experienced by countries belonging to all levels of development and in all regions. In fact, the rate of growth of enrolment continues to be high in the less developed countries although enrolment ratios remain low. Higher education is massified in the middle income countries and nearing universalization, if not universalized, in most of the OECD countries.

It is important to note some of the characteristics of the expansion of higher education. First, the higher education sector is expanding at a higher rate than that of other levels of education and therefore warrants a higher level of investment in this sector. This may necessitate a review of the intra-sectoral resource allocation policies followed by public authorities. Second, the surge in enrolment is realized not only through public institutions. The private sector in higher education is expanding rapidly and accounts for a large proportion of institutions and considerable share of enrolments. Third, the expansion is not confined to the traditional university sector. The sector is increasingly getting diversified and very often the expansion is faster in the non-university sector and in non-degree programmes. Fourth, the expansion is not dependent upon public resources only. Very often expansion is funded by non-state resources. Households are investing considerably in the sector; expansion of the non-state sector is an indicator of this trend. Fifth, increasingly more females than males are enrolling in higher education. In 2008, females accounted for 51 per cent of the global enrolment (UIS, 2010). Further, it is the only sub-sector of education where the global

gender parity index is more than unity even when most of the countries are far from 'universal' higher education. Sixth, efforts to expand the system are accompanied by strategies to assure quality. The establishment of accreditation agencies/bodies in several countries is a reliable indicator of this trend. Seventh, there are serious efforts underway to harmonize the structure and content of study programmes at both the regional and global levels. Regional efforts in this direction have been very strong in the recent past.

One of the important features of the expansion is that, contrary to general belief, it did not necessarily lead to increased unemployment of higher education graduates. This may be partly due to the fact that expansion has taken place when economic growth has been positive and high (except during the crisis period) and partly due to the reforms which made serious efforts to align skill formation with skill requirements in the labour market.

The discussions in the above paragraphs indicate that an increasing recognition of the role of knowledge in production, re-aligning higher education with employment markets, and reliance on non-state funding for expansion are continuing concerns in higher education reforms. These changes also indicate a shift in public policy to prioritize investment and to promote diversity in provision, and households' willingness to invest more in higher education. For example, even during periods of economic crisis, governments continue to invest in science and technology – fields that are considered closest to knowledge production – to improve national competitiveness. The rate of return studies in recent decades show higher returns to higher education (World Bank, 2002). This is more so in the knowledge-based professions (Feenstra & Hanson, 1999). The higher educated enjoy a premium in the labour market, which encourages households to invest in education. In other words, most of the reforms in higher education stem from a belief that more of higher education is good and more provision does not necessarily imply higher investment by the public authorities nor increased unemployment of the higher education graduates.

3. A review of reforms in higher education

Now let us look into some trends in reforms in higher education introduced in several countries.

Reforms to enhance capacity to produce and use knowledge

The USA universities enjoy an enviable place both in knowledge production and excellence in teaching. Several USA higher education institutions occupy top positions in the global rankings of universities. These reputed universities help maintain the United State's global leadership role in economic and political spheres. According to the QS (Quacquarelli Symonds) 2010 universities ranking, the top 17 positions are shared between the U.S and the UK, with the U.S. universities accounting for 13 out of top 17 universities in the world. Needless to add, many of the top-ranking

universities are research universities engaged in knowledge production.

An analysis of reforms in Europe also provide evidence for the role of knowledge in production. These reforms stem from a belief that economic growth and global competitiveness are increasingly driven by knowledge (CHEPS, 2009). Countries are competing to reach and retain global standards and to transform their national universities into world class universities. This requires excellence in research, the high quality of teachers and teaching, talented students, and an abundance of funding. The move towards creation of research universities is a necessary step in the creation of world class universities (Salmi, 2009) with concentration of talents, resources, and institutional autonomy. Many of the reforms initiated in several countries have some of these elements included in the reform measures.

For example, the White Paper on higher education (DES, 2003) and the Higher Education Act of 2004 reflected on the future of higher education in the UK and it emphasised, among other things, research and teaching to boost world class excellence, in order to make the UK higher education the best in the world. The university rankings bear this out. A UK university was not only the top ranking university in 2010, but also the UK accounts for 4 out of 10 top universities in the world. The 2007 Law of France encourages the higher education sector to compete on the global stage and meet the requirements of the workforce in France. The reforms envisaged higher public investment in higher education and the granting of more autonomy to higher education institutions in France. The German efforts to restore and improve research capabilities through selected institutions (Centres of Excellence) to re-establish their reputation in global research is also in the same direction. As noted earlier, many OECD countries continue their investments in science and technology subject areas despite the economic crisis.

Higher education reforms in many countries of Asia, too, had the same focus on achieving excellence. The Chinese reforms of Project 985 or Project 211, the Centers of Excellence (COE 21) in Japan, Brain Korea 21 (BK 21), and the Accelerated Programme for Excellence (APEX) in Malaysia are good examples of this trend. The recent reforms in India include the establishment of the National Commission for Higher Education and Research (NCHER), and the establishment of a national accreditation agency (Tilak, 2010). Reforms in all these countries lay emphasis on research and improving the quality of teaching and learning processes.

Reforms to reposition higher education to changes in the external environment

The repositioning of the higher education system was necessary to respond to changes in political orientation and changes in production and employment markets. The reforms introduced in Commonwealth of Independent States (CIS) were efforts to reassert the relevance of higher education to the changed political and ideological orientation of the state. The efforts were to reposition and facilitate transition from a centrally planned to a market economy. Curricular reforms took

precedence over other reforms and were intended to reflect market-orientation in the curricula and study programmes. New courses were introduced in economics, accounting, financial analysis, marketing, business administration, law, information systems, international relationships, psychology, *etc.* The intention was to socialize the students with market processes (Varghese, 2009b) and with the theories pertaining to market operations.

The expansion of the non-university sector is an example of diversification to respond to changing skills requirements in the employment market. In the USA, there are research universities, professionally-oriented universities, and community colleges. In countries such as France, there are Grandes Écoles, universities, and IUTs (Instituts universitaires de technologie); in Brazil there are research-oriented universities and teaching-oriented university centres. The creation of service universities in countries such as Korea is another example. The reforms in Norway led to two parallel sectors – the university sector concentrating on basic research and the professional colleges responsible for professional education and applied research relevant to the region (Tjeldvoll, 1998). In Malaysia, PSE includes pre-university courses or technical/vocational courses leading to certificates and diplomas. In Nigeria, PSE consists of universities and non-university institutions such as polytechnics and mono-technics, colleges of education, and schools of nursing.

Reforms to expand the system

The reforms in Africa and CIS countries also reflect concern for the generation of resources to counter the relative decline in public funding. These reforms can broadly be categorized into two areas: a) privatization of public institutions and b) expansion of private institutions of higher education (Varghese, 2004). Both these measures were intended to reduce the financial burden of the expansion of higher education on the state. The most common factor in both the measures was related to cost recovery through levying student fees. Examples of privatization measures include: the university enterprise scheme (UNES) and parallel programmes of the University of Nairobi; the dual track admission policy, with sponsored and private students, in Makerere University; the institutional transformation programmes, cost-sharing, and revenue diversification strategies of the University of Dar-es-Salaam; and the dual track systems in Zambia.

The CIS countries also adopted cost-recovery and cost-sharing measures to finance higher education. The retention of the professoriate was an important concern in this region during the period following the collapse of the Soviet Union. During the transition period the salaries of professors was reported to have declined below survival levels (Shattock, 2004), leading to a mass exodus of professors from public universities in the CIS countries. Institution based income generation was the only alternative left to the policy makers. Student fees were the most reliable and sustainable source of income. Following the reform measures adopted in universities of Africa, universities in CIS too started admitting fee paying and non-fee-paying students. The non-fee-paying

students, supported by the state budget, were called 'budget students' (Kitaev, 2004; Varghese, 2009b). The enrolment of non-budget students increased at a faster rate than the number of budget students.

In addition to the move towards privatization, most of the countries in Africa, Asia, and Latin America also encouraged the establishment of private higher education institutions. In many countries it is the private higher education segment that is expanding most rapidly (Levy, 2006; Varghese, 2004). The private sector is very prominent in Latin America. For example, in Chile, there are 25 traditional universities belonging to the Council of Rectors of Chilean Universities (CRUCH), which receives direct public funding (Araneda, 2010). The universities created after 1981 are self-funded private universities, and other non-university tertiary institutions are also self-financed private institutions.

The number of private universities outnumbers the public universities in Africa although their share in enrolment is less than one-third of the total enrolment. These reform measures have helped to maintain high growth rates of enrolment in higher education in most countries in Africa (Mohammedbhai, 2008). More importantly, the private segment of the public institutions (fee-paying students) and private institutions of higher education have helped facilitate expansion of higher education in many countries, and especially in Africa, without relying on state funding.

The European situation is characterized more by privatization of public institutions than by promotion and expansion of private universities. Privatization measures and cost recovery are more common in the UK universities than in German or French universities. The level of tuition fees levied in the UK universities is higher than that in the universities located in other European countries.

Did reforms lead to a more integrated system of higher education across countries?

Although the specifics of reforms varied across countries, they together have helped the system of higher education to converge globally. The efforts towards a harmonized degree structure, student assessment, and external quality assurance mechanisms have been driving the system towards better convergences and integration globally. The harmonization has two elements: harmonizing national systems with global (with higher education systems of the developed world); and regional harmonization initiatives. Most of these efforts to harmonize higher education stem from the Bologna Process.

The Bologna Process was, perhaps, central to higher education reforms in Europe in the previous decade. Most of the 46 countries constituting the European Higher Education Area have adopted new higher education legislation and a credit system (180+120 credits equivalent to 3+2 years of full-time study), have effected curricular changes, and have embraced new quality assurance processes. The development of the European Standards and Guidelines for Quality Assurance in Higher Education (ESG), and the creation of European Network for Quality Assurance (ENQA), the association of quality assessment agencies, were all efforts to improve the quality of higher education

in Europe (Martin & Antony, 2007). Although started in Europe, its effects transcend beyond the continent's borders.

The governments in Latin America, Africa, and Asia are planning to form their own regional networks and regional higher education areas to harmonize qualification structures and student and staff exchanges. For example, in Latin America in 2010, the Inter-American Organization for Higher Education initiated a programme to create a Latin American and Caribbean Higher Education Area; in West Africa, 15 countries signed an agreement to promote intraregional student mobility by giving students from other West African Monetary and Economic Union (WAMEU) states equal access to higher education. Southeast Asian Ministers of Education Organization Regional Centre for Higher Education and Development (SEAMEO RIHED) is taking initiatives to create a South East Asian higher education space. The harmonization effort in this region will include a credit transfer system, a quality assurance framework, a diploma supplement, and formation of research clusters.

The harmonization measures introduced in the CIS region were essentially intended to align universities in CIS countries with international standards, and their education systems with those of the West; and to respond to regional pressure to develop a comparable structure for the purpose of credit transfer systems between universities located within the CIS. The reform measures included the introduction of the credit system and changes in course structure and student evaluation methods.

The reforms in the recent past have helped to develop a more integrated approach to higher education irrespective of the varying levels of development of the country. The harmonization efforts have, no doubt, also helped to evolve a global framework to support higher education development, offering comparable levels of degree structures and facilitating the mobility of students and staff from one country to another.

4. Implications of the reforms for governance and management of higher education

Most of the reform measures discussed above have major implications for governance and management of higher education institutions. The reform measures in all the regions implicitly underlined the importance of bringing the locus of decision making closer to the units implementing these decisions. As a result, the locus of decision making in higher education invariably shifted from the government and Ministries to the institutions of higher education. This was a slow but successful process in many instances and a continuing process in other instances. This shift redefined the relationship between the state, institutions of higher education, and households. More specifically, this shift made institutions more autonomous and self-reliant, reduced direct state control, and at times, funding. The move away from the state control model also entailed a move towards the markets. In other words, the shift in the locus of decision making implied a shift from state control to a market-mediated decision making process – a shift that is in line with reforms implemented in economic sectors.

The state has traditionally played an important role in national development and the idea of state control and funding of higher education stems from this premise. During the post World War II period, governments saw universities as useful instruments for the advancement of national purposes (Anderson & Johnson, 1998) and the public support and funding for higher education were forthcoming. The universities were run or managed the way schools or government departments were managed. In many instances the head of the state served as the chancellor of public universities and they were also responsible for appointing the head of the institution; in some countries the professoriate was part of the civil service.

By the 1980s, government failure became evident in many sectors and the call was for a reduced role of the state in development – from a dominant to a minimalist role. The governments were initially hesitant to open higher education sector to markets. Therefore, governments gave freedom to institutions to engage in activities that would not necessitate additional resource from the public exchequer. In other words, governments granted institutional autonomy. This granting of autonomy implied a shift from state-control to the state-supervision model (Van Vught, 1994) of educational governance. The autonomy gave freedom for institutions to set priorities and targets and mobilize resources over and above state funding to achieve those targets. It seems that autonomy is one of the major reforms that has a near universal appeal and has helped with energizing institutions of higher education and revitalizing the sector.

5. University autonomy and its effects on governance

Autonomy is the freedom of an institution to run its own affairs without control from any level of government (Anderson & Johnson, 1998). Autonomy for an institution of higher education implies ‘the freedom to determine its own goals and priorities; to select its own leaders; to employ and dismiss staff; determine enrolment size ...’ (Saint, 2009). Eastermann and Nokkala (2009) in their study on 33 countries broke down autonomy into its components: organizational structures (governing bodies, executive leadership, and internal administration), staffing matters (recruitment and appointment, setting salary levels, civil servant status of staff), and academic matters (universities’ ability to define institutional strategies, academic profiles and to regulate student admissions). Autonomy does not imply complete absence of external control. The government may be exerting influence through legislative authority and as per the division of roles agreed upon.

There is a need to distinguish between two types of institutional autonomy: substantive and procedural. Substantive autonomy pertains to academic and research areas, while procedural autonomy refers to non-academic areas (Raza, 2010). Substantive autonomy involves freedom to design curricula, evolve research policy, determine student admission policies, staff recruitment criteria, and criteria for the award of degrees. Procedural autonomy implies freedom to prepare and manage budget and financial administration, appoint non-academic staff, and procure and enter into

contract with others outside the institution. The newly attained autonomy included both types.

Granting of autonomy necessitated mechanisms to coordinate activities between the Ministry and institutions of higher education. To facilitate the process of dialogue, negotiations, and funding, many countries established buffer bodies. National councils of higher education, university grants commissions/committees, and tertiary education councils are examples of these trends. The buffer bodies had responsibilities for advising the government on higher education policy, funding, quality *etc.* (Saint, 2009). The role of buffer organisations was extended to cover issues related to the establishment of private higher education institutions.

The autonomy has three types of implications for higher education institutions, namely on the governance, on accountability measures, and on the internal management and re-organization of activities. A review of reforms in higher education in Africa (Saint, 2009) and a recent IIEP study (Varghese & Martin, in press) showed that governing bodies, board of directors, and board of trustees have become important and influential parts of the decision making process in the universities. There is diversity of governance structures such as a shared governance structure focusing on negotiations, the role of external stakeholders, and the participation of all groups (Sporn, 1999), or corporate governance (Braun & Merrien, 1999) emphasising the entrepreneurial character of universities and their strategic planning efforts linking universities, markets, and society. The new managerialism is part of corporate governance and has become the key principle for steering the higher education systems of many OECD countries. It focuses on decentralization of authority, institutional autonomy, the private sector, institutional evaluation, performance contracts *etc.*

Autonomy is also linked to accountability measures as can be seen from the reforms in many countries. A focus on accountability measures implies a move from *ex-ante* to *ex-post* control and strong result orientation. While the existence of block grants, strategic plans, academic freedom, and independent governing body are signs of institutional autonomy, performance contracts, performance based funding, competitive funding, payment for results, and external quality assurance processes are indications of strengthened accountability measures.

The institution based decision making (governing boards) and pressure to meet the accountability measures forced many institutions to re-organize their activities. The steering policies and institutional functioning measures mediate between enhancing autonomy and reducing public authority. Through a process of restructuring institutions, diversified sources of income reduced reliance on the government, opened new departments, rationalized structural changes to provide a stronger response capability, and created a central steering capacity. These changes, individually and collectively, have led to a major re-organization of university activities. Such reorganization, especially in public institutions, may be called 'institutional restructuring' (Varghese, 2009a), which is, in fact, the major change one notices in the higher education sector.

The autonomy attained by institutions has helped them in devising their own strategies of institutional development and together they have contributed to expansion of the system through

reliance on non-state funding, diversification of the system to meet the skill requirements in the labour market, and competition between institutions to improve quality and attract competitive funding for research. Taken together, these measures have led to the revitalization of the sector.

6. Concluding observations

How did the reforms affect different stakeholders in higher education? The emphasis upon research and upon quality in the teaching learning process is certainly beneficial to the process of knowledge production. These efforts may help improve productivity and national competitiveness. The employers, especially those who rely on markets, should be happy with the focus on measures to diversify institutional arrangements and programmes of study for skills formation. All concerned are happy with the expansion taking place in the sector.

The more difficult area was implementation of the reforms in the institutional context. The higher education institutions in many developed countries continued to enjoy state support and the system accepted these changes with limited resistance. Some universities in Africa experienced direct confrontation between the authorities, students, and staff. The reforms in the CIS countries were accepted with less resistance, since the alternative was to close down the institutions. In South East Asia, protests were limited, but resistance was felt. One of the important trends to be noted is that resistance to such changes, in general, declined over a period of time (Varghese, 2009a; 2009b). It seems the reforms have now become more acceptable implying a process of legitimization of market operations in higher education.

There are legitimate criticisms against introduction of these reforms. The reforms seem to have encouraged institutions to undertake financially attractive, but non-core activities leading to shrinkage of the core activities in higher education (Clark, 1998). Resource mobilization has become an important responsibility of institutional heads and faculty. Similarly, the diversification of programmes and sources of funding were important elements in facilitating expansion of the system. In many countries, the privatized segment of public institutions and private institutions contribute substantially to increased student enrolments. This in the long run may lead to inequalities in access to higher education and consequent income inequalities.

Did the role of the state in higher education decline? This need not necessarily be the case. The role of the state in directly controlling, funding, and managing higher education has declined. However, the state's role in developing a framework for the functioning of institutions under the new autonomy and regulatory mechanisms, to meet accountability requirements and to ensure equity in access and quality in outcomes, may be on the increase. Given the reduced funding role, the state may reprioritize its interventions to concentrate on these newly selected areas. For example, during the financial crisis period, the state investments were targeted towards science and technology programmes – programmes which help retain and improve the market competitiveness of the economy.

Similarly, in order to ensure equity, the state needs to deploy its limited financial resources to targeted investments in favour of the less privileged. The understanding seems to be “State-dominated development has failed, but so will stateless development. Development without an effective state is impossible” (World Bank, 1997; p.25). The recent economic crisis has further confirmed the harmful effects of a minimal role of the state and an absence of its regulatory mechanisms.

To conclude, the unprecedented expansion of higher education may be one of the most visible impacts of the reforms. And this may be contributing to the increase in the stock of human capital at the national level – increasing access for the less privileged and helping to position higher education to meet the immediate requirements in the labour markets. However, questions related to whether or not these reforms will lead to a more balanced expansion of the sector or a more egalitarian society remain to be conclusively answered. Addressing these questions can form a fair basis for a realistic assessment of the reforms and their desirability.

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