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Guest Editorial

KLAUS HUFNER and KLAUS LANDFRIED

In December 2002, UNESCO-CEPES and *HRK—Hochschulrektorenkonferenz* (the Association of Universities and other Higher Education Institutions in Germany) jointly organized a study visit to Germany, within the framework of the project undertaken by UNESCO-CEPES, “Regional University Network on Governance and Management of Higher Education in South East Europe”. The subject of the visit was “New Models in Higher Education Funding and Financial Management of Higher Education Institutions”. Some twenty high-level representatives of the ministries of education and of higher education institutions in South East Europe received firsthand information about the present reform initiatives and processes taking place in German higher education at the national, *Länder* (states), and institutional levels. The study visit also allowed the participants to compare mechanisms and structures of funding higher education within the European context, foremost in relation to the goals set by the Bologna Process. It illustrated the diversity of policy approaches and managerial options within the context of international framework conditions and offered them ideas as to how to undertake and implement the restructuring of their own national systems and institutions of higher education.

In Germany, current reform efforts are being undertaken under the *leitmotiv* of “performance and competition” through elements of incentives and accountability. This approach to reform is characterized by a shift from rigid, *ex ante*, input-oriented state steering mechanisms to more flexible output-oriented funding procedures, which also imply new management structures in universities—as well as between them and the responsible *Länder*.¹

It is correct to say that the current reform process is taking place at all levels of German higher education, for which, in view of the severe overall financial constraints in Germany, innovative transformations have become an absolute must. Although it will take some time until the goals of the *leitmotiv* are finally implemented, the leaders of the reform and all their efforts are moving in parallel directions. Moreover, the speed of the reform process is accelerating, which indicates that competition in higher education is becoming an integral feature, not only at institutional level among universities but also among the *Länder*. The former concept of “co-operative federalism”, which required the reaching of unanimous decisions leading to compromises at the lowest common denominator, is being replaced, step by step, by a new concept of “responsible competitive federalism”, which implies competition among alternatives in higher education policies. Moreover, the international level is increasingly being taken into account in order to improve the competitiveness of German higher education in Europe and worldwide.

The conviction that the quality of teaching in all German higher education institutions is of the same high standard everywhere is no longer valid. Annual ranking

tables, based upon improved methodological standards,² have induced competition by comparisons of teaching performance, through a set of indicators, in faculties in different subjects. This information base influences the choice of entering students, a situation that will, in turn, have an impact upon improvements in the teaching performance of the universities.

In addition, a reform of the salary structure for professors has been initiated by the federal government which implies that, as of 2005, newly appointed professors will no longer be granted automatic salary increases every two years. Instead, performance-oriented criteria will be applied for salary supplements. Because of the civil servant status of professors, this reform step will take some time to be fully implemented.

Although the supply side of the “higher education market” in Germany will increasingly contain elements of performance incentives, the logical consequence, that of introducing similar mechanisms on the demand side through a system of—socially reconcilable—tuition fees has been, for the time being, rejected by the federal government. Six *Länder* objected and went to the Federal Constitutional Court claiming that, since they are responsible for higher education, they should also have the right to decide about its financing mechanisms. Given the overall crisis of public finance in Germany, the debate on the pros and cons of introducing a system of tuition fees will continue.

The selection of articles resulting from the study visit is presented in the following way. The first group includes two contributions, by Klaus Hübner and by Brigitte Göbbels Dreyling, which deal with the overall situation of governance and funding in Germany.

The first article, written by Klaus Hübner, starts with a description of the difficulties inherent to the reform of higher education within the context of federalism and the cultural sovereignty of the *Länder* that resulted in a highly complex set-up of coordinating bodies. Another section deals with the 1998 amendment to the Federal Framework Law for Higher Education that challenged the sixteen *Länder* to make their reform efforts operational through individual legislation. Further details are given on attempts at reforming the funding of higher education in the *Länder*, as, for instance, in North-Rhine Westphalia, as well as about privatization attempts in higher education in Germany.

The second article in this group, written by Brigitte Gobbels-Dreyling, Director of the Berlin Office of HRK, concentrates on an overview of the different reform initiatives in the *Länder* regarding the introduction of new funding schemes in higher education under the *leitmotiv* of “incentives and accountability”. Its main features are the move from detailed input-oriented state control mechanisms to highly flexible, output-oriented institutional budgets, which allow the allocation of funds on the basis of selected performance indicators.

The second group offers specific examples of reform initiatives in two of the sixteen *Länder* of Germany. In his article on two models for funding higher education in Rhineland-Palatinate, Manfred Efinger describes in detail the functioning of these two models, which were introduced in 1993 and 1998, according to a number of performance parameters. The first model is an allocation system of public money to the budgets of the universities that contains four baskets (basic funding plus additional funding for teaching, research, and junior staff).

The second model is an allocation system for personnel costs which, again, consists of several baskets containing monetary incentives, *inter alia*, for further education and international activities. Both models can best be characterized by a high degree of transparency and explicit reward incentives, thus leading to more competition in the state and to better performance results.

In the second article of this group, Klaus Poland reports on the Lower Saxony Reform Act of June 2002, which offers an opportunity for each university to opt for transformation from a state institution to “a foundation as a legally self-administered public body”. This new, innovative legal construct does not imply a step towards privatization, but indicates a clear reduction of state control over universities. Universities that decide in favour of this option will no longer be part of the state budget. They will establish their own budgets along the lines of the commercial and accounting standards for corporations. As of January 2003, five universities had already been transformed into “foundations” of this specific legal type.

The third group contains two articles dealing with the institutional level. Peter Schulte, Rector of a “university of applied sciences”, the *Fachhochschule* Gelsenkirchen, describes the efforts of his university, over the last ten years, to institutionalize relationships with small and medium-sized industry and enterprises in the region, thereby increasing the extra-budgetary funding for applied research projects. In addition, these joint efforts of the university and neighbouring companies offer students the unique opportunity to acquire both theoretical knowledge and practical training during their studies. So far, the university has successfully built up two in-house centers for the promotion of entrepreneurship which are described in this article.

In the second article of this third group, Konrad Schily, President of the private Witten/Herdecke University, describes a new model of university funding by students and alumni. Since 1995, a system of tuition fees has been introduced in order to secure the future of the university. Based on a concept of the “reversed generation contract”, three options for the payment of tuition fees are described.

These six articles do not offer a full picture of present reform efforts in German higher education. But the guest editors hope that the interested reader will get some deeper insights reform activities presently being undertaken in Germany. No doubt, increased competition at the different levels will lead to better performance on the part of the German universities at all levels. In a federal state, such reform occurs through a complex process of learning and revision, which takes time. But, as mentioned above, an acceleration in this process is apparent. The guest editors are convinced that the many reform activities undertaken demonstrate a clear will to reform German higher education as well as visible efforts to this end.

Of the two “Tribune” articles that are being published in this issue, the first one, by pursues a theme linked both to the efforts to reform German higher education, in the articles making up the Topic Section, and the impact of globalization. She observes that through the dialectic and traditional German conception of win-win academic co-operation, which is very compatible with the Bologna Process, and a newly emerging policy calling for German higher education to compete, for high stakes, on the world market for higher education, as envisaged by GATS, a new German higher education *Zeitgeist* is emerging.

The second “Tribune” article, by Sakari Ahola and Jani Mesikämnen of

Finland, discusses the Bologna Process itself, tracing its origins and evolution with special reference to Finnish higher education.

We conclude this issue with a set of book reviews and studies. The next issue of *Higher Education in Europe* will take a deeper look at the Bologna Process, particularly its extension to the countries of South East Europe.

¹ Germany, being a Federal state, is composed of sixteen Länder (states) among the powers and prerogatives of which responsibility for the higher education institutions and systems within their respective jurisdictions is included.

² See *Higher Education in Europe* 27 4 (2002), the topic of which is *Ranking and League Tables of Higher Education Institutions*. One article analyzes the methodological and ranking tables used in Germany: Gero Federkeil, “Some Aspects of Ranking Methodology—The CHE-Ranking of German Universities”. pp. 389—397