

**Discussion Paper for November 22/23, 2011 Meeting of Empower
European Universities**

**A Framework for Scoring the Empowerment of Universities in the
EU Member States**

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1. Introduction

The NGO Empower European Universities (EEU) as a fully independent organization has embarked on the establishment of a European monitoring system of EU country university policies with the aim of inducing the policy changes necessary for improved university performance. The roots of EEU are the Manifesto “Empower European Universities” which resulted from a meeting of some 20 top experts and former ministers in Brussels on June 16-17, 2010. The Manifesto states that universities could contribute so much more to European societies in their struggle with economic, demographic and environmental development, as well as with the challenge of social cohesion if they would be better empowered. The general idea of the monitoring system is to measure the degree of empowerment of universities in European countries, created by governmental university policies. The underlying assumption is that the higher the empowerment the better the performance potential of universities. A periodic monitoring could highlight positive or detrimental developments in specific countries and could reveal the trends in Europe. It could be the qualitative and quantitative basis for the call for empowerment.

The assumption is that empowerment leads to high performance. This is supported by the findings of recent higher education research (Ritzen, 2010). A body of knowledge is emerging which points to the links between university policy and university performance, while at the same time the increasing importance of the quality of university training and research for overall socio-economic development is highlighted in several studies.

All of this has led to a heightened interest on the part of Governments in university policies. However, in the actual policy making process interest of pressure groups may delay or block the adoption of what could be considered as forward looking policies. EEU as a civil society organization, supported by higher education research institutions such as the German CHE and the Dutch CHEPS, provides a countervailing power bringing the best available knowledge from European countries to the table in assessing Government university policy while at the same time developing a research program with the aim to improve our understanding of the relation between policy and performance. This is the connection with the “scoring” or “grading” framework: it should be based on available knowledge and insights. We realize that this is no

rocket science. Even where statistical analyses between on the one hand policy elements and on the other university performance are available (e.g. proxied in a rough way in the available university rankings), they will as a rule never generate more than a statistically significant impact of that element of Government policy on university performance in that country, with substantial variation around the size of the impact. This variation can be attributed to many factors. An important one is the way individual universities translate that element of Government policy.

The awareness that universities are in many respect by and large untapped as a source of economic growth and social progress is not limited to Europe. Worldwide societies are seeking ways to rekindle the empowerment of universities. The term “empowerment” is used to indicate the room for universities to contribute to the best possible economic offered by governmental rules and instruments. The world-wide interest in these questions is shown in examples like the Global Human Resource Forum in Korea (an Annual Meeting on Higher Education and Socio-Economic Development), like the Annual International Conference on Higher Education in Saudi Arabia and a large number of World Bank activities, inspired by Salmi’s (2009) book.

The term “universities” is used here as a “catch all” world for the system of higher education in a country.

2. Points of departure

We focus on the direct impact of Government university policy on the performance of universities in teaching and research from the vantage point of its translation into society,
Or:

University policy → University output → Societal Output.

Universities fulfill many functions in society. We have chosen for an operational evaluation of university policy in terms of the **socio-economic impact** of universities, and even there we restrict ourselves further to **sustainable growth** and **equity**. In this process other functions of universities, like their contribution to citizenship are not included in the evaluation framework. This choice is made in order to arrive at a framework which at least has a chance for

operationalization, well realizing that the socio-economic function of universities is a very important one. But even so, the existing evidence to develop this framework which looks at a limited number of functions of universities is already a major, if not to say gargantuan task. We do not claim with this paper to have gone further that developing an experimental framework for a first trial evaluation to take place in the period toward a second meeting on June 22/23, 2012 (in Maastricht).

Our point of departure for a “grade” in the empowerment monitoring system is that the higher the grade for the policy, the better the “performance” of the university system. This begs the performance question. Research performance of universities is to be viewed within the international appreciation of universities, as expressed in existing rankings. In Ritzen (2010, p. 42, 43) we present a country ranking applied to the top 20, 100 and 200 universities respectively (the number of universities in a country among the top research universities in the world divided by the population in that country). Presumably the country’s university research policy is better the higher the country ranks. Many of the rankings also try to capture some of the education performance of universities. However, in the absence of comparative data on education, this remains a challenge. Within some countries (like Germany and the Netherlands) comparative data exist on the students’ appreciation of degree courses. But no systematic cross country data are available. Yet U-Multirank would at least provide a global student satisfaction survey.

Aghion et al (2007) and Ritzen (2010, p. 49) have analyzed the relation between policy variables and performance of (research) universities as expressed in rankings. These studies allow for some generalization in terms of grading different policy elements.

At the same time, we know the limitations of existing international rankings. They are dominated by research performance, biased towards the sciences and English speaking countries. This was a reason to develop U-multirank as a multi-dimensional ranking in the EU (www.u-multirank.eu) but available for global comparisons. In 2012 the European Commission will decide about the future of U-multirank. With this system the performance issue could be extended beyond research, including also teaching and learning, knowledge transfer, international orientation and regional engagement. In Ritzen (2010) an attempt is made to relate the performance of universities as witnessed in rankings to the country’s innovative potential and economic growth.

But all of this is relative little evidence to relate university policy for all differentiations of higher education (beyond research universities) to socio-economic development. A far more ambitious approach would be to relate university policy to (sustainable) economic growth in combination with equality of opportunity and social cohesion in an economic growth model, as an extension of the work of Aghion *et al.*(2007). This requires a theoretical elaboration of an economic growth model with different types of human capital as was first presented by Ritzen (1976) as well as an empirical corroboration of its validity and the magnitude of the impact of the different parameters. In such a model the optimal university policy works out in the quality, quantity and diversity of the university graduates such that the economy reaches the highest possible level of economic growth, in combination with the highest access of students from families with no previous experience in higher education to universities, while safeguarding or expanding social cohesion (Easterley, Ritzen and Woolcock give examples of measures for social cohesion).

Although attractive, we lack sufficiently clear measures of the quality of graduates, to follow this approach. Pritchett (2001) has taught us that “years of education” of the labor force does not statistically contribute to the explanation of economic growth, while Barro and Lee (2000) showed that this picture changes drastically when the quality of education as measured in the project international student achievement (PISA) is added to “years of education”. The relations between these quality measurements and economic growth have not yet been researched. Much is expected of the Assessment Higher Education Learning Outcomes project of the OECD which would provide cooperative quality indicators of higher education by measuring the “added value” in terms of increased competences of higher education graduates.

In other words: we do have a well-founded idea of a general evaluation (grading) framework for Government higher education policy but we lack a validated construct to argue for one composite grade which could be tied to the overall country’s socio-economic performance. This is our reason to choose for spider diagrams to reflect those scores of country’s individual policy parameters, for which we can argue that a higher score means a better performance. The November 22-23, 2011 meeting of EEU is meant to bring together as much as possible the

evidence on the relation between policy parameters and socio-economic outcomes through higher education.

The empowerment rating system is constrained by available information. We find several studies about university autonomy, especially the current EUA project measuring university autonomy through the Rectors Conferences in the EU. Four areas of autonomy are distinguished in that project. Information is available on these four areas in all of the EU Member States:

- organizational autonomy;
- financial autonomy;
- staffing autonomy;
- academic autonomy.

Each of these categories is subdivided into several subcategories. These categories and subcategories were chosen, because they are broadly supported as relevant for empowerment in a number of reports (Brandenburg *et al*, 2008, Estermann and Nokkala, 2009, Eurydice, 2008, Center for Higher Education Policy Studies (CHEPS), 2010, Sursock and Smidt, 2010). In general these reports argue that more autonomy engenders the potential for better university performance.

In addition to the above four categories CHEPS *et al* (2008) has introduced the notion of “interventional autonomy”. “Interventional autonomy refers to the extent to which organizations are free from accountability requirements. Public universities in the majority of European countries have medium levels of interventional autonomy as a result of increasing reporting and accountability requirements”.

On funding and reform, CHEPS *et al* (2010) has made a detailed study of 33 European Higher Education systems between 1995 and 2008. This study focused on eight so called “performance” dimensions: access, educational attainment, mature learners, graduate employability, student mobility, research output, capacity to attract funds and expenditure per student. These are performance indices of “funding reform” in the sense that some of the measures like “access” can be clearly considered as a social result or outcome, while others, like per student expenditure

are intermediate variables, which presumably have an impact on the quality of the graduate. This study has produced a rich data source which can be used for our purpose.

3. The concept of empowerment

To determine the structure of the empowerment rating system we have to be clearer about the concept of empowerment. In general empowerment means that governmental rules and instruments create the possibility for universities to contribute maximally to socio-economic outcomes with the existing resources (an efficiency notion) or even “optimally” if resources would be extended. It became quite clear from the previous paragraphs that one facet of empowerment is autonomy, the formal right of the universities to make decisions and so to use all their creativity and knowledge freely and flexibly. To be sure: we are dealing with a complex system. When we advance autonomy as important for empowerment, it does not mean that the relation is fixed and in all cases exactly the same. Sometimes universities have used their autonomy to resist new thinking or exclude alternative schools of thought. But on the whole we assume (based on available evidence) that without autonomy, there is no empowerment.

But empowerment needs more than autonomy: It is not enough to have the formal right to decide, you also need the physical and human resources to bring socio-outcomes about (leading to the component of “enabling”), including the decision making powers to allocate these resources within universities, like recruitment and promotion of staff and the allocation of physical resources (like buildings).

The third component is the “incentive framework”: autonomous and enabled universities also need a setting which creates incentives that are in line with the intended outcomes. For instance, performance is triggered by performance-based funding systems.

Our EEU empowerment rating system, is based on four basic categories of empowerment (autonomy, enabling, incentive framework and international openness), each of the four categories containing a number of subtopics with one or more indicators per subtopic.

4. The process

We use the method of peer assessment through the network of EEU correspondents in European countries with the expertise to assess higher education policies. The correspondents of the EEU rate “their” country on the basis of the agreed framework. However, experts might have different ratings even if they have the same data. We allow for this subjectivity by asking each correspondent to find two other experts in the same country, who independently will rate the country’s policy. Then the correspondent has to try to produce a joint position among the three persons, while pointing out and explaining remaining disagreements. Then there will be a discussion between the correspondents of neighboring countries, comparing the assessments and looking at the disagreements. In case of disagreements in one country the group of neighboring countries will decide about the assessment after hearing the arguments.

“Rating” means a system where things are assessed referring to a certain standard. Without the standard the comparability of the assessments would be difficult. As far and clear as possible we should try to define standards for the perfect solution in each of the topics measured. We know well that these standards are in the present stage experimental and that the correspondence between the rating of university policy and the actual performance of the universities in the country can have large variations, due to the way in which policies are absorbed and translated within universities. We hope to learn from the exercise.

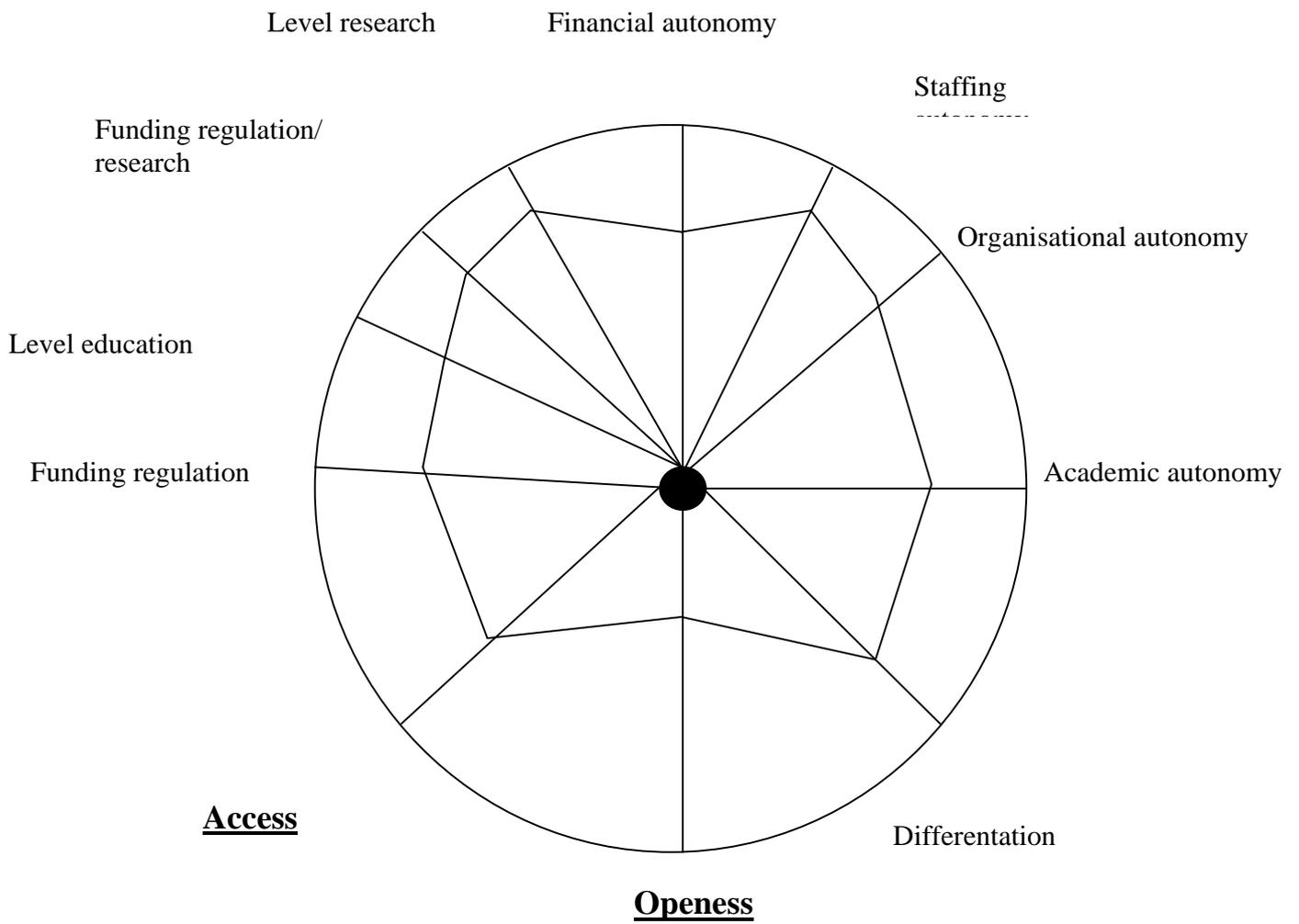
Some countries, like Belgium, Germany and Spain have a federal system of higher education with a policy responsibility on the, sub federal level. It is then important that the policy evaluation takes place at the sub federal level. This could be too large a task for the correspondent to do this for all the “Lander” or Regions or States within the Federation. In such cases we have to be satisfied with a sample while looking for a special EEU subprojects to deal with the diversity in university policy within the federally organized countries.

Figure 1.

An example of a spider graph with dimensions of empowerment

Enabling

Autonomy



5. The spider graph and its components

Figure 1 gives an example of a spider graph for the evaluation of the university policy of a specific EU country. It distinguishes three different dimensions of empowerment.

The most difficult part is to set the standard for the maximum score as well as the scale (in case of ordinal scores). In the following we will argue the standard, for each of the eight distinguished categories:

AUTONOMY

Organizational autonomy

University is allowed to decide on its own internal organizational structures. The maximum score is achieved if

- The university could freely choose internal organizational structures (faculties, matrix etc.) and its own legal status (the latter with state approval).
- The university is allowed to establish, change and abandon internal units.
- The university is allowed to establish enterprises and legal entities.
- The transition from limited autonomy to full autonomy is not restricted.

Financial autonomy

Financial autonomy is achieved if the following rules exist:

- The “Gold-standard” here is full financial autonomy, in other words the full flexibility of expenditure, the ability to keep surpluses, to borrow money and to own buildings and other infrastructure, like large scale equipment. They could buy, sell rent or lease buildings and have construction and renovation works within their responsibility.
- The ability to raise tuition fees also has a “Gold-standard” in a full independence in setting the prices for participation, within limits of say 15% of median income for those studies for which student loans and grants are available.
- The ability to generate market revenues and the ability to keep all kinds of own revenues with full flexibility in their budget.

Staffing autonomy

Staffing autonomy requires leaving staff issues fully to the university. The fact that one would not like to see universities as profit making if they are (in part or fully) Government financed makes no difference in this respect. This means

- Universities should be the employers of their own staff. (The important debate on academic tenure and its merits should be touched here).
- They could flexibly design the recruitment criteria and processes.
- They should be able to create and abandon staff positions with full flexibility.
- They should have the flexibility to determine the tasks of the staff (incl. specialization in teaching or research) and salaries (especially designing and using performance oriented elements).

Academic autonomy

Academic autonomy has as standard:

- The university decision on overall numbers of students and capacities, selection of students (incl. recognition of pre-qualifications), introduction (and termination) of degree programs.
- To choose the language of instruction, to select quality assurance mechanisms, to design degree content and to choose its own instruction methods.

Numeri fixi can be imposed by Government for Government funded places without endangering the standard. Equally accreditation (preferably international) - as a form of “consumer protection” - does not deviate from the standard. Lastly, Government measures to ensure “macro-efficiency” should also not be considered to go against academic autonomy.

Interventional autonomy

The standard is here an accountability based on the presence of an internal quality control system besides the normal accountancy control of universities (in the same way as happens in other non-profit organizations).

ENABLING

Leadership potential with the standard:

- The executive head of the university has to be in a position that allows effective decision-making.
- The executive head is appointed by an independent supervisory board (in which “stakeholders”, not being members of the (academic) staff of student community, and not being active politicians, are represented).
- Selection criteria are defined according to the university’s niche and strategy.
- Appointments for limited duration (4-5 years, once renewable). Dismissed at malfunctioning.
- Legal entities require the approval of the Supervisory Board if any (financial or reputation) risks for the university are involved.

Strategic steering power

The autonomy could only be used if there is enough strategic steering power for university leaders. Internal structures have to prevent that decision-making is blocked by internal procedures. The maximum score is achieved if:

- The executive head has full authority on structure and appointments to be mandated to vice-heads and deans.
- This authority extends to decisions on academic structures.
- The executive head decides on funding (decisions, criteria and systems) within the university.

Financing – level, education

Autonomy only helps to a limited extent if there is no sufficient level of funding. Sometimes we find systems with rather good performance despite a situation of limited autonomy – this might be caused by a high level of funding. So in an ideal situation autonomy would be high and universities would be enabled to act by a favorable funding situation. As standard for financing (private and public) we advance the average US level (which now on average is more than twice the average European level). This can be expressed as total per student income (from public and private sources) as a percentage of the average US level. However, this might be distorting as a

result of the sizeable income differences in per capita income between Member States. Hence we propose to put the standard at 2% of GDP (the US level for higher education). This percentage can be argued to be in line with the human capital investments needed in advanced knowledge economies.

Financing - level, research

The standard here could also be public research expenditure as a percentage of GDP being 1% (the Lisbon goal was 3% with an unclear division between public and private research). Public research is not always only carried out by universities but – in many countries like Germany and France by research institutes which are not related to universities. This is taken into account in the regulations part.

Access

Autonomy could only have its positive effects if the potential of students in society is used as broadly as possible. So another component of “enabling” is the access to higher education. The standard for access is:

- The existence of minimally a social student loan scheme which allows to cover the costs of participating in education, in such a way that the loan does not affect participation negatively.
- The latter is accomplished by limiting the pay back to a maximum percentage of income after graduation and a write-off of the remaining loan after 10-15 years (the principles of income-contingent loans, taking the investment risk away from the loan recipient).

INCENTIVE FRAMEWORK

Financing – regulations, education

CHEPS (2010) provides a very useful distinction in the types of public funding arrangements, with a distinction between incremental, negotiation, formula funding (quantity performance), contract, quality performance related. Cheps provides the

rationale for considering a mix of formula financing with contract and education performance related funding as the standard (this includes a mix of ex post- and ex ante-funding).

A special case here is the bureaucracy involved in accountability. Many countries have engaged in funding schemes which give rise to excessive administrative burdens. Yet we do not have good measures to measure “excessive”.

Financing – regulations, research

Two types of regulations can be distinguished to determine the standard:

- Is a substantial part of public research money allocated competitively?
- Are universities enabled / empowered to take full advantage of public funds? In order to make sure that there is sufficient room for ground breaking research and new research directions a 100% competitive allocation of research could lead to too much reliance on past performance and a drive to research which scores high on the measures used for competition. We suggest a standard of 50% or more (the UK).

The division between university research and research in separate institutes is in countries like Germany and France historic. Quite often the research institutes are better governed with respect to research effectiveness. At the same time in the division a loss is experienced in the use of the full external effect of research, in training PhD's (and master students) in doing research, and in providing a basis for research - based undergraduate training. Increasingly there is a drive towards bridging this gap by cooperation between universities and research institutes. The ideal situation would be that university research would be organized in the same way as in the research institutes. We assume then that the standard is that public research money is spent in such a way that there is close cooperation between universities and research institutions.

Differentiation

The incentive framework should promote institutional diversity.

- The country does well in differentiation if different missions are financially supported by Government and if legislation supports and promotes mission differentiation (see Ritzen, 2011).

- The government should promote specific university profiles by a legal obligation of universities to realize strategic planning and by specifying university objectives in target agreements between state and university, in such a way that a “Hotelling effect” – i.e. that they become more similar rather than differentiated- is avoided.

International openness

The standard would be here a fully positive answer on the following questions:

- Are joint degrees with foreign universities allowed with limited transaction costs?
- Are universities encouraged to teach also in other EU languages than their own?
- Are some universities encouraged to support foreign students who do not know the national language?
- Do national students still receive the same financial public support when they study abroad as they would get at home?

These positive answers could create the empowerment for internationalization.

6. Conclusions

We look forward to an exciting meeting on Nov. 22/23, 2011 where all hesitations are brought to the table on the framework while at the same time coming to a conclusion on one operational version to be used in the evaluation of the university policies in the 27 EU member states during the period Dec. 2011-June 2012 and to be discussed on June 22/23, 2012 in Maastricht.

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