Marketization in Higher Education Policy: An Analysis of Higher Education Funding Policy Reforms in Western Europe between 1980 and 2000

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The main objective of this study is establishing patterns of higher education funding policy change in Western Europe in the period from 1980s to 2000. Patterns of change are traced using the typology of welfare state regimes developed by Esping-Andersen (1990.). The main assumption is that key institutional features of a welfare regime govern reform trajectories in higher education funding policies. The study shows that regularities within regimes do exist, and they broadly conform to the welfare regime typology. However, countries do not completely conform to the types. This is partly due to the deficiency of an ideal-type classification, but more importantly it seems due to the fact that higher education funding policy cannot be fully explained by using the social policy lens.

Key words: higher education funding policy, marketization in higher education, welfare state regimes.

INTRODUCTION

This study addresses reforms in the higher education funding systems in seven countries of Western Europe (Sweden, Norway, the Netherlands, the UK, Ireland, France, and Germany) between 1980. and 2000. in an effort to identify key changes that occurred in the period and examine whether reform trajectories of the seven countries in this study follow coherent patterns. Patterns of change are traced using the typology of welfare state regimes developed by Esping-Andersen (1990.). Establishing such regularities in reform patterns would add weight to the historic institutionalists' assumption that institutions, in this case welfare regimes institutions, 'structure a nation's response to new challenges' (Hall and Taylor, 1996.). The period studied is marked by the marketization of higher education – the move towards introducing market-inspired funding mechanisms and more private money into higher education. The assumption is that key institutional features of a welfare regime will govern reform trajectories in higher education funding policies.

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After the introduction, the study offers an analysis of key contextual factors that have influenced a doctrinal shift towards the marketization of higher education, and section three provides a definition and analysis of marketization mechanisms in higher education. These two elements are essential for understanding the nature of the reforms in the period. After that, Esping-Andersen's typology is used in section four to develop assumptions about regime-typical trajectories of higher education funding policy change against which individual countries are examined in section five. Information is gathered from primary sources: country reports, legislation, policy papers, official websites, and international organisations' reports. Following Esping-Andersen's typology, first Scandinavian, then Liberal and Continental European countries are presented. The initial impression of all the countries converging on marketization reforms is exposed as more complex, and key differences are pointed out.

REFORMS IN HIGHER EDUCATION - FORCES OF CHANGE

This section analyses three main factors that influenced the 1980.-2000. reforms: increased participation in higher education, changed economic realities and the rise of 'knowledge society' as an objective of European states. The last part charts the development of a change in doctrine that opened the way for marketization of higher education funding mechanisms.

The 'Massification' of Higher Education

Higher education systems in Europe expanded dramatically in student numbers from the 1960s to the 1990s[1]. This increase has been described as 'massification' and represents, according to Theisens (2004.), one of the most profound developments in higher education in the developed world. The increased numbers of students had its financial implications, thus spending on higher education in absolute terms grew throughout the 1980s and 1990s in all OECD countries (ibid.). However, in terms of relative spending per student, the amount of funding shrunk[2] (Tilak, 2005.). These two major developments collided with a third and fourth development:

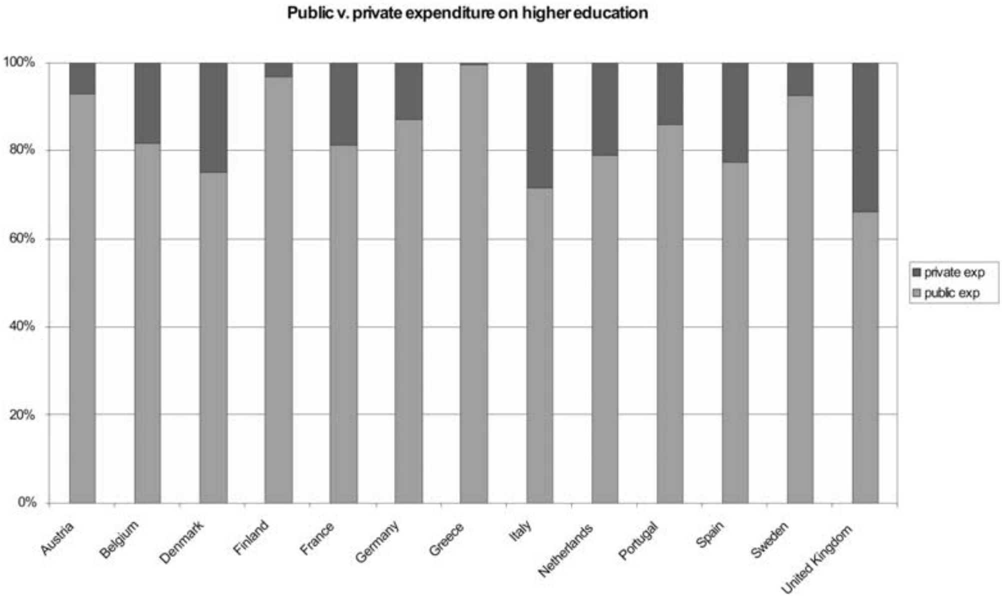
> 'The third is a change in economic paradigms, that has led governments to realise that large state budgets and high taxation may cause economic problems. This realisation has led to a policy of cutbacks on state budgets, including the higher education budget. The fourth is the growing perception that higher education is important to realise economic objectives. (Theisens, 2004.:15).

The third and fourth developments that Theisens identifies are addressed in sections 2.2 and 2.3. Regarding the expansion of participation in higher education, a crucial characteristic of Western European higher education systems is that they are dominantly publicly funded and as such

[1] In the UK participation rate in 1960s was 5%, growing to 30% by mid-1990s (Barr and Crawford, 1998.); in Sweden the number of new students in 1960./61 was 7,800 rising to 64,500 in 1997./98. (Eurydice, 2000.).

[2] For example in the UK real funding per student fell by nearly 30% between 1990. and 1995. (Barr and Crawford, 1998.); Eurydice 2000. reports under-funding also in Germany, France and Ireland (of the countries included in this study).

Table 1.
Public v. private expenditure on higher education in selected Western European countries, 2002.



Source: Adapted from OECD Education Online Database

dependent on taxes. Table 1. shows public v. private expenditure on higher education in selected Western European countries[3] in 2002.

Systems that are highly dependent on public funds restrain access on the supply side because student numbers cannot expand beyond what government is able to fund (Barr, 1993.). In such a situation, expansion is possible in two ways. Governments can keep expenditure constant but admit more students, thus negatively affecting quality, or they can increase the role of private funding, primarily by introducing tuition fees and loans (ibid). While restraining access or jeopardising quality by increasing student numbers without adequate increases in funding were characteristic of the period up and into the 1980s, this became unsustainable. Therefore, a move towards introducing more private money into higher education to allow for the sector to expand became the dominant funding policy in the period from the 1980s to the 2000s.

A Change in Economic Paradigm

In the advanced industrial economies of Western Europe, the welfare state was the product of the post-1945. settlement. It was designed on the premises that it would counter cycles of booms and recessions, offset market failures and offer social protection (Pierson, 1994.). However, the 1980s saw an emergence of a 'sustained intellectual attack' on the welfare state (Le Grand and Robinson, 1984.) and was followed by

[3] for which data on private spending were available.

cutting down the public sector and public spending in general. The belief that many of the economic, social and political problems of the period were attributable to the continuing growth of the welfare state was established as a dominant doctrine (Pierson, 1998.). It appears that the retrenchment of the welfare state was a combined reaction to real economic difficulty, but also to a changed perception of the role of the state in the economy (Theisens, 2004.). Firstly, poor economic performance created a budgetary strain on welfare and undermined the Keynesian doctrine of the virtuous circle between public spending and economic growth (Pierson, 1994.). Secondly, a parallel movement during the 1990s for members of the European Union was towards meeting the Maastricht criteria for the Economic and Monetary Union, which put further strain on state budgets (Green et al., 2000.), because countries were aiming to reduce budget deficits by restraining public spending. Therefore, significant changes in policies on spending in higher education were a spillover from this economic policy paradigm shift of restraining or reducing public spending initiated in the 1980s.

Regarding the role of the dominant economic policy doctrine in Europe at that time, the Thatcher government's retrenchment policy was very influential throughout the 1980s. The 1980s UK government was committed to private market philosophy and espoused the primacy of the market over public provision[4]. While other European governments were not so decisive in their adoption of principles of competition, outsourcing and other elements of the market doctrine, its key points have by now penetrated all advanced industrial countries (De Boer et al., 2002.). According to some authors, something similar happened in education policy:

> 'Although its impact has been most marked in the English-speaking world, and particularly in Britain … educational neo-liberalism has found echoes in many states in Western and Eastern Europe. Neo-liberal education policy advocates have forcefully criticized bureaucracy and 'producer capture' in education, arguing that efficiency and effectiveness are best achieved through market – or quasi-market – systems where autonomous providers compete with each other for their share of the educational market' (Green et al., 2000.:55).

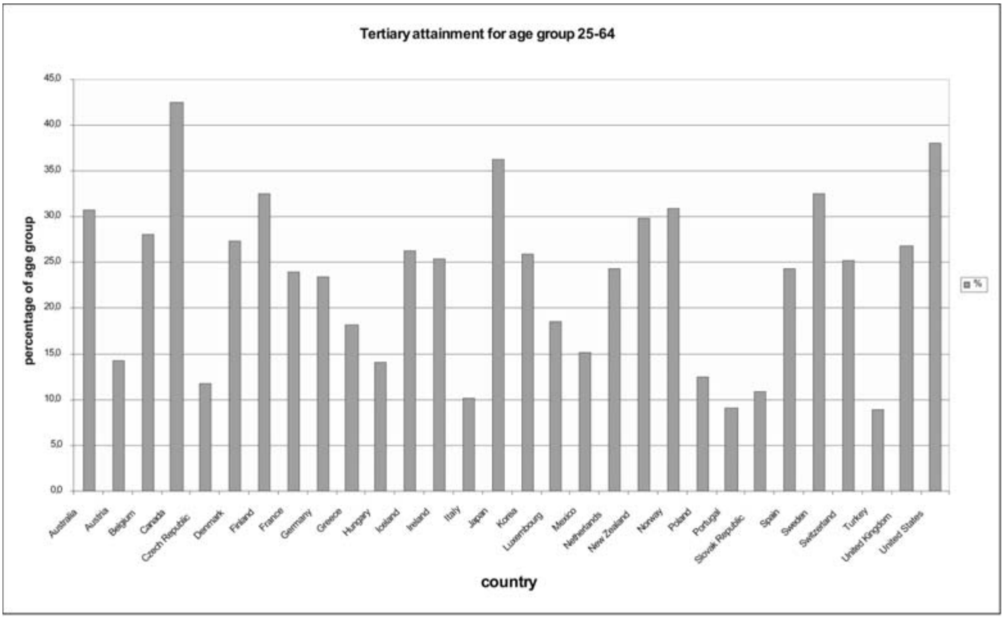
Higher Education as a Source of Economic Growth

In the last few decades, higher education has been given a key role in the European nations' economic policy (Deer and de Meulemeester, 2005.). Economic growth is seen as dependent upon the rise in the cumulated educational level of its population; according to the OECD, a key indicator of a country's potential to profit from scientific and technological progress is its share of population that has attained tertiary qualification (2005.a). Table 2 illustrates the population (aged 25-64) participation in higher education for OECD countries.

More specifically, in 2000. the EU member states committed themselves through the Lisbon Agenda to make Europe "the most competitive knowledge economy in the world" by the year 2010. The policy goal is for Europe to transform into a

[4] Intellectually the background for these ideas was developed by then influential critics of the welfare state: Hayek, Friedman, and the Public Choice School, primarily through the work of Buchanan, Tullock, and Downs (Le Grand and Robinson, 1984.).

Table 2.
Tertiary attainment for age group 25-64 in OECD countries in 2002.



Source: OECD Factbook 2005.

knowledge economy in order to re-establish its global competitiveness, and in order to do that it needs to develop its human capital (Dill, 1997., Green et al., 2000.). Increasing productivity is also dictated by the ageing of European populations. Western Europe is 'facing huge demographic imbalances with very small working age cohorts ahead, and to sustain the elderly we must maximise the productivity of the young' (Esping-Andersen, 2002.). Higher education and its link to research and development are crucial for this goal. This partially explains why higher education policy has had such strong political salience in the last decades, and also why a reduction in public spending for higher education has not been accompanied by reduced governmental intervention – recent reforms in European higher education legislation have generally increased governmental control over university management and the institutional goals and output (Green et al., 2000., Theisens, 2004., Deer and de Meulemeester, 2005.).

While a clear calculus of the link between investment into education and economic growth is impossible (Barr, 2000.) and therefore easily contested by reductionist economic perspectives (see for example The Economist, *Pay or Decay,* January, 2004.), today it is commonly agreed that skill and knowledge are 'fundamental to economic performance and crucial to survival in the increasingly competitive global economy' (Green et al., 2000.). This increased awareness of the fact that higher education brings significant returns has re-fuelled debates as to the ratio among private and social returns to higher education. This debate is key to the current policy changes in higher education funding. Private returns to higher education that have been identified include better chances of employment[5] and higher average earnings (Barr, 1993.), while some of the wide social returns are societies' increased overall capacity for technological change and advancement of knowledge (Abramovitz, 1991.) as well as the practical fact that a highly educated population in well-paid jobs pays more taxes (Barr, 1993.).

Challenges to the Doctrine of Free Higher Education

Free higher education guaranteed by the post-1945. welfare state was challenged in the 1990s in the UK and later on more widely in Europe. First of all, in debates about higher education funding, the value of private returns came to the fore. 'The public and collective nature of the educational project has been partially eclipsed, at least for the moment, by individualist aspirations and norms' (Green, 1997.). Education came to be seen primarily as an investment in an individual's future earning capacity since evidence showed that additional earnings gained by those who enter higher education are substantial (Glennerster, 2003.). People with tertiary qualifications also have better chances of employment and better job security (Eurydice, 2005., Biffl and Isaac, 2002.). This opens up the question of whether those who benefit from this investment should repay some of its cost. That students should take on some of the cost has become a mainstream policy position (Vossensteyn, 2002., Barr, 2005.) and has been the chief motor behind the change in higher education policy that occurred in the period: the introduction of tuition fees and the replacement of grants with loans in many Western European countries.

At the same time, an argument was growing according to which the espoused policy goal of free higher education – social equity – was not happening. The post-war welfare state 'failed to deliver on its promise of disconnecting opportunities from social origins and inherited handicaps' (Esping-Andersen, 2002.:3) It appears that the impact of social inheritance is as strong today as it was in the past – in particular with regard to cognitive development and educational attainment (ibid.). After 50 years of free access to higher education, there is still a 'disproportionally small participation of groups of lower socio economic status' (Biffl and Isaac, 2002.). Further supporting this position, Le Grand and Robinson (1984.) argue that subsidies to university education are among the most inegalitarian uses of public funds: if they were withdrawn and the savings used to increase everyone's income equally, the poor would be better off and the rich worse off. This argument is strengthened by Biffl and Isaac (2002.), who claim that free higher education is regressive because it subsidises higher income groups that are already overrepresented in the system. Finally, Vossensteyn (2002.) quotes studies that show that student behaviour generally seems to be price inelastic – the gradual rising of fees in the Netherlands has not had an effect on participation rates.

To conclude, the dominant view regarding investment into higher education since the 1990s has been that the private return to higher education is substantial, and that the system where higher education is free

[5] 'During the period 1992.-2002., the unemployment rate among people with tertiary education qualifications aged 25-64 was lower than the overall unemployment rate in all countries for which data were available, with the exception of Denmark which recorded unusually low unemployment rates in 2001. and 2002. The idea that a tertiary education qualification reduces the chance of unemployment is thus well founded in all European countries.' (*Eurydice Statistical Report on Education in Europe, 2005.:* 39).

is 'pro rich in its outcome' (Glennerster, 2003.). These arguments formulate the doctrinal basis for policy change in higher education funding in the period between 1980. and 2000. in Western Europe. After the sources of change have been identified, the next task is to define the main characteristics of this change (section 3) and finally to investigate country evidence to establish whether the change follows coherent patterns (section 4 and 5).

MARKETIZATION OF HIGHER EDUCATION: KEY DEVELOPMENT IN HIGHER EDUCATION POLICY IN WESTERN EUROPE 1980.-2000.

The previous section highlighted three crucial factors that propelled higher education policy on the political map and prompted reforms: increased participation in higher education, financial austerity coupled with a change in economic policy doctrine, and finally the policy goal of creating a 'competitive knowledge society'. The questions all Western European countries are asking themselves today are how to fund the expansion and what proportion of funds should come from the taxpayer, i.e. the student and/or his or her family (DfES, 2004.). Since the most prominent move has been towards introducing more private funds into higher education, there is no dispute in academic circles that the policies adopted since the 1980s onwards represent a 'marketization' of higher education (Dill, 1997.). Because the marketization label has come to be used very extensively, it is necessary to clearly distinguish its meanings under analysis here. Following the distinction between higher education institutions funded directly via a government grant, or through students as demanders of higher education services who pay fees and user charges (Barr, 1993.), two main types of marketization are distinguished: the introduction of performance-related funding mechanisms (quasi-market element) and the introduction of tuition fees and loans (the privatization of higher education).

Performance-related funding mechanisms

Since the latter part of the 20th ct. higher education institutions in Europe have overwhelmingly been financed out of the public budget through a system of block grants. Since the state is not the direct provider of the service in the sphere of higher education, an effective way for it to exert influence is through the use of financing mechanisms. In the last two decades Western European governments have sought to introduce greater responsiveness, competitiveness and cost-awareness into university governance and generally influence university policy through the power of the purse. The main types of funding mechanisms introduced in the 1980.-2000. period are:

I. competitive funding where institutions compete against each other for money from an allocated fund; for example, in the UK the governmental assessment of research quality (RAE[6]) is used to distribute competitive funds for research;

II. demand funding where funds follow the student through voucher schemes or enrolment numbers; for example a voucher scheme is to be introduced in the Netherlands from 2007.;

III. output funding tied to specific targets set by the government; the Norwegian government, for instance, ties funds to number of credits the students produce

[6] For more information see Research Assessment Exercise: http://www.rae.ac.uk/ .

This policy change corresponds to the change in the economic paradigm that happened in the 1980s, when private sector values and management practices increasingly penetrated the public sector. The dominant doctrine in public management became one of the market and individualism (Hood, 1998.), the chief characteristics of which are the support of competition and individual choice, as well as a drive for efficiency and output-measurements of success in policy implementation.

Privatization of higher education

The introduction of tuition fees and the replacement of grants with loans signals the privatization of higher education – the shifting of the cost of higher education from the government onto the students and/or their families, or in other words from public to private money (Tilak, 2005.). Firstly, until 1980., apart from a few rare exceptions, higher education was free or almost free for students in Europe (Eicher, 2000.), while now most countries either charge (e.g. UK, Austria, Switzerland, Belgium), or are debating (e.g. Germany, Ireland) the introduction of fees. Secondly, while earlier governments provided support for students' living costs, mainly in the form of grants, there has been a shift towards the increased provision of loans for living costs. Finally, universities are increasingly encouraged to develop links to the business sector and strengthen that source of funding. However, co-operation between academia and the business world is not taken up in this study since it represents a complex issue that goes outside the focus of this analysis and merits attention on its own.

Taking these changes into consideration, it is important to emphasise that today's European higher education systems still remain dominantly public[7] (Green et al, 2000.). The introduction of different models of performance-related funding mechanisms has been much stronger and widespread than the move to increased reliance on private funding. Indeed, tying specific targets to public money has appealed to most governments striving for efficiency in a time of fiscal stress. On the other hand, increased reliance on private money through the introduction of tuition fees is the most direct way of introducing the market into higher education and this policy still provokes a lot of public controversy (Barr, 2005.). OECD review teams visiting Scandinavian countries in 1998. were told that 'fees were neither wanted nor needed' (Biffl and Isaac, 2002.).

To summarize, the current trend in financing mechanisms is to tie public funds to specific targets or make universities compete for public funds, which means using the logic of the market without actually letting the market in. As long as the system remains overwhelmingly publicly financed and governed by the state, there are no markets in higher education. Instead, the resulting system is best defined as a 'quasi-market'. This means that it is a market because independent higher education institutions compete for funds and/or customers, and it is quasi because higher education institutions are not private and are not motivated by profit-maximising, and because in most cases, it is not the direct user who exercises choices concerning purchasing decisions - the government does it for them (Le Grand and Bartlett, 1993.). Most importantly, the system is a quasi-market because the price mechanism is absent – the government still covers the costs of education for the student. However, when tuition fees are introduced the system becomes less quasi and more a market. If the government determines the

[7] See Table 1.

amount and sets up a flat fee, the market is still restrained, even though the ability to pay starts to operate. But once higher education institutions are allowed to set their own fees, the price mechanism begins to operate and this is when a market in higher education is in place. No Western European country has introduced such a system to date, but it can however be kept in mind as the end stop on the marketization journey many countries in Western Europe have embarked on.

ESPING-ANDERSEN'S WELFARE STATE REGIMES TYPOLOGY

This study aims to establish whether regularities exist in the trajectories of policy change in Western European countries. Its intention draws on a body of work within comparative policies broadly termed the 'varieties of capitalism' literature. The main assumption is that Western European countries differ in the types of capitalist regimes they have developed since 1945. and that the character of their institutions conditions their further development[8]. Since the focus of analysis here is higher education funding policy, the most appropriate typology seems to be one that focuses on aspects of the welfare state. Esping-Andersen's (1990.) typology is used, which establishes three types of welfare state regimes: the Scandinavian, Liberal and Continental European welfare regime (2002.). The typology is based on the relationship between the market, state and family: each welfare state regime places its key strength on one of the three pillars. Studying welfare states within the distinction between states, markets and family frames the question in terms of the state's larger role in organizing the economy. Adopting the distinction between *regimes* implies an understanding of the relationship between the state and economy as 'a complex of legal and organizational features (that) are systematically interwoven' (Esping-Andersen, 1990.:1). Esping-Andersen's typology is used here to create assumptions about expected patterns of change in higher education funding policy in the three welfare regimes. Table 1. represents a brief summary of the typology containing the elements later used for analysis.

The Scandinavian welfare state regime is characterised by a key emphasis on the government pillar. The welfare state is designed to strengthen individual independence by 'de-familializing' welfare responsibilities, and to minimize the degree to which an individual's welfare depends on the market, thus 'de-commodifying' its citizens (Esping-Andersen, 2002.). Extended to the policy of funding higher education, the rationale of de-commodifying and de-familializing would in essence translate into free access to higher education and

Table 3.
Esping-Andersen's typology of welfare state regimes

Welfare state regime	Scandinavian	Liberal	Continental
Prototype	Sweden	UK	Germany
Group	Denmark, Norway, Finland, The Netherlands	Ireland, Switzerland	Austria, Belgium, France, Italy
Constituting pillar	state	market	family

[8] Examples of the 'varieties of capitalism' literature: Berger and Dore eds. (1996.), Crouch and Streeck eds. (1997.), Esping-Andersen (1990., 2000.), Scharpf and Schmidt (2000.), Hall and Soskice eds. (2001.), Schmidt (2002.).

substantial financial support for students irrespective of family income. The government considers itself responsible for enabling wide and equitable access to higher education.

Unlike the Scandinavian model, the Liberal model is the model of a residual welfare state: benefits are targeted to the demonstrably needy, while the state actively sponsors market solutions by encouraging private welfare provision as the norm (Esping-Andersen, 2002.). Taken over into higher education funding policy, the rationale should be one of encouraging market-type mechanisms in funding, provision and management, and financial support only for students in the most threatened income-bracket group. A Liberal regime would generally disbelieve central regulation and emphasise individual returns to higher education investment.

Finally, the key characteristic of the Continental model is its emphasis on traditional familial welfare responsibilities, as these states are typically strongly influenced by the Catholic Church. The state is strongly committed to the preservation of the traditional family-hood (Esping-Andersen, 2002., Scharpf and Schmidt, 2000.). However, in the Continental model the drive for market efficiency and commodification is not pre-eminent and social rights have a wider and stronger guarantee than in Liberal welfare regimes (Esping-Andersen, 1990.). Translated into higher education funding policy, these countries protect free access to higher education, but count primarily on family support and therefore provide only supplementary financial support for students.

The above claims about regimes' ideal-type characteristics introduced assumptions regarding the first type of marketization development: the privatization of higher education by the introduction of tuition fees and reduced state support for students. Table 4. schematises these claims that are used later on for country analysis. The table represents ideal types – it is expected that empirical evidence will not fold neatly into these categories, but should show clear gravitation toward one of the ideal types.

However, with regard to the second marketization development identified, i.e. the introduction of market-like mechanisms into direct government funding, a slightly different basis for analysis needs to be adopted since Esping-Andersen's typology does not seem to lend itself to hypothesising on this development. Instead, Titmuss' (1958.) influential early study of variation between welfare states is used. Titmuss established a basic distinction between residual and institutional welfare states. In the residual state, the state assumes responsibility only where the market fails; in the institutional, the welfare model is universalistic and so it extends welfare commitments to all areas of distribution vital for societal welfare (Esping-Andersen, 1990.). Extended to the issue of higher education funding, this logic of minimal state inter-

Table 4.
Fees and student financial support

Welfare state regime	Scandinavian	Liberal	Continental
Fees	No	Yes	No
Grants or loans for fees?	N/A	loans, partial grants for lowest income-brackets	N/A
Grants or loans for living expenses?	both grants and loans available, not contingent on family income (everyone is eligible)	loans (everyone is eligible)	grants and loans available based on mean-testing of family income (eligibility conditional upon family income)

ference means that Liberal regimes would shy from introducing funding mechanisms that represent strong governmental regulation. Output funding based on government-set objectives and targets goes against the idea of the autonomous university and of the minimalist government. Therefore, it is to be expected that Liberal regimes will be introducing competition and demand-driven funding, but not so much funding tied to government's objectives. Titmuss' (1958.) institutional welfare states, or in Esping Andersen's typology both Continental and Scandinavian regimes, should on the other hand make extensive use of output funding and be more wary of introducing competition and demand-funding.

ANALYSING ESPING-ANDERSEN'S TYPOLOGY AGAINST COUNTRY EVIDENCE

This section presents country evidence. Information is gathered from primary sources: country reports, legislation, policy papers, official websites, and international organisations' reports. Scandinavian countries are presented first, and then Liberal and Continental European countries. Sweden, the UK and Germany are chosen as prototypes following earlier precedent (Esping-Andersen, 2002., Scharpf and Schmidt, 2000.). The second country within the cluster (Norway, Ireland, and France) is used to increase the number of observable implications of the theoretical assumptions made in section 4 in hope of a better evaluation of the theory (King, Keohane and Verba, 1994.). The Netherlands is the third country in the Scandinavian cluster; it is chosen as a known innovator in higher education policy and as such an presents an interesting case to compare to the more 'typical' Swedish and Norwegian ones.

Scandinavian Welfare State Regimes

Governments in this cluster led an active policy towards higher education in the period between 1980. and 2000. and acted promptly to the changing environment in higher education. As a result, their systems are up-to-date and are not suffering from under-funding. In Sweden, the increase in student numbers was complemented with a corresponding increase in funding – even during the time of financial austerity in the early 1990s, investment priority kept education sufficiently funded (Eurydice, 2000.). Similarly, Norway has a very high participation rate: it expects to have 36% of the working force with higher education qualifications by 2010. Also, it has developed a capacity that can accommodate around 50% of the annual cohort - it now aims at stabilizing at this percentage and does not aim for further expansion (ibid.).

Neither Sweden nor Norway charge tuition fees. In the two countries, higher education institutions (HEIs) can only charge small amounts like a union fee or term fee for student welfare. Furthermore, student support systems are comprehensive, based on a fundamental idea that 'all students who need help to finance their studies should receive assistance from the central government for this purpose' (see www.sweden.gov.se). Also, in both countries governmental aid is not based on the economic circumstances of the students' parents or spouses.

In Sweden, study assistance consists of a combination of grants and loans that are designed to cover students' living expenses. The total amount is currently SEK 1,725[9] per week for full-time students, of which the grant portion is 34.5%. Loan repayments were made income-contingent back in 1989., the same year as in Norway.

[9] € 185, currency exchange on August 12, 2005.; figures for autumn 2004. (www.sweden.se)

Norway considers the provision of student welfare of great importance for equality in access to higher education. Just as in Sweden, all registered students are eligible for government assistance. Assistance is awarded on the basis of a living estimate, and the loan part is interest-free, income-contingent and to be repaid within 20 years after graduation. The grant part has increased from 13% in 1992./93. up to 30% in 2000./01. (Eurybase, 2000.).

The Netherlands has a long tradition of charging tuition fees (Vossensteyn, 2002.). Ever since 1945., Dutch students have been paying a uniform fee determined by the government – for the academic year 2002./2003. the fee was € 1396 (Boezerooy, 2003.). These fees are relatively low, but there has been a public debate about introducing differential fees, which would probably imply higher fees. As for student assistance, the Netherlands has a unique system called a performance grant. According to Eurydice, students are entitled to government assistance until the age of 27, and the level of assistance is determined by a monthly budget that includes cost of living and tuition fees (2000.). The monthly budget is initially made available to the student as a loan with interest, but if s/he completes the first year acquiring 50% of available credits, a part of the first year loan is written off. Similarly, if the final diploma is gained within the proscribed time, repayment of part of the loan is cancelled (ibid.). Overall through this policy, the Dutch system has moved away from the full financing of student maintenance, therefore increasing the cost-sharing contribution of the students. However, the overall public contribution to students is still very considerable.

A detailed study of the three countries presented would show that their systems are more complex than this overview might suggest. However, for the purpose of this study the data shown suffice to draw certain conclusions. The evidence shows that the three countries' higher education systems overwhelmingly depend on public finance and this system of provision enjoys public support. The Swedish and Norwegian systems of higher education are free for students and provide extensive student support. While the Netherlands charges tuition, so far it has been kept relatively low and its complementing student aid program is comprehensive. This evidence conforms to the prediction that Scandinavian welfare regimes will aim to secure stable and sufficient public financing, as well as student support mechanisms based on the principle of equal access.

Turning to the reforms introduced into direct government funding during the last two decades, the picture is more diverse, but still consistent. At the beginning of the period under study, all three countries had distributed funds to HEIs via a block grant and on a 'historical basis' – allocating the grant based on the previous year's budget usually consisting of student, staff and equipment costs. In Sweden the policy of decentralisation was complemented by introducing government control through output-funding throughout the 1980s and 1990s. From 1993., HEIs are allocated funds via a three-year contract based on the minimum number of degrees to be awarded in the period and a minimum number of full-time students. HEIs receive provisional funds at the beginning of the budget year, and the final amount is determined at the end of the year by taking account of the criteria mentioned. By tying funds to results, the government hopes that HEIs will make more efficient use of their resources (Eurydice, 2000.). This is an example of both output funding and demand funding, because HEIs are awarded funds based on actual enrolment numbers, not last year's estimates.

Similarly, in Norwegian higher education the government sets the 'stipulated levels of activity' (Eurydice, 2000.). In the 2002. Quality Reform the funding formula was set, according to which 60% of the total allocation are 'basic', non-performance funds, 25% is performance-related based on the number of credits students obtained and 15% is the research component which is partly result-based allocation (OECD, 2005.b). A 1995. reform introduced a reserved sum of money that the universities compete for on the basis of the average number of credits obtained, which was a policy designed to shorten the duration of study. Finally, only recently has a governmental committee for higher education issued a report recommending that a system of vouchers should be introduced, where part of the government funding would be allocated through students' choices (NMER, 2000.). Therefore, Norway currently uses output funding and competitive funding and is debating the introduction of demand funding.

In the Netherlands a student voucher scheme has been scheduled for discussion in Parliament in summer 2005. According to Mark Rutte, the Dutch Assistant Secretary of State for Higher Education, the reform will introduce a system of 'learning entitlements' from 2007., where each student will receive a fixed amount of entitlements to 'buy' education. This will create a demand-driven system that is 'supposed to turn students into critical consumers' (Jongbloed, 2005.). The idea is that competition will enhance efficiency and quality. Within the funding system currently in operation, direct government funding has a performance-related component based on student numbers and the number of degrees (Eurydice, 2000.). Finally, the Netherlands has had a mechanism of competition for research funds based on peer-review in place since 1983., the earliest of any of the countries included in this study. Like Norway, the Netherlands is already using competitive funding and output funding, with plans to introduce demand funding.

Not only do the Scandinavian regime countries make use of output funding, but they are the biggest innovators in making use of competitive and demand funding mechanisms as well. This seems to go against the assumptions made on the basis of welfare regime characteristics. However, the key feature of the Scandinavian welfare regimes is their safeguarding of public higher education from the market. As it has been said in section 2, the introduction of quasi-market mechanisms on their own, without withdrawing public funds, does not create a market in higher education. Therefore, the measures introduced can be explained as the governments' desire to make the best possible use of public funds. In other words, the described funding mechanisms are best understood as innovations in regulatory mechanisms of higher education.

The introduction of quasi-markets and privatization measures needs to be analysed together in order to get a complete picture of higher education funding policy. Scandinavian welfare regimes are on the one hand forwarding a philosophy of output-measurement, competition and individual choice, but on the other they are protecting the higher education sector from the market by securing sufficient funds both for institutions and students. This evidence supports the hypothesis made on the basis of welfare regimes' typology.

Liberal Welfare State Regimes

The UK system has always been characterised by a liberal legacy, with state intervention discouraged everywhere except 'where it is absolutely unavoidable' (Green, 1997.). British higher education institutions enjoy great autonomy over administration, management, staffing, admission policies and nearly every other aspect of university politics. Until 1981. 'there was very little government policy for higher education' (Kogan and Hanney, quoted in Bleiklie, 2001.:13). However, a large public system of higher education was created in the 20th century, primarily following the 1963. Robbins Report which outlined the governmental policy of raising participation (Eurydice, 2000.). Like other Western European countries, Britain entered the 1980s with a comprehensive public system of higher education.

Until 1990., UK students at a UK university paid no tuition fees and received a tax-funded maintenance grant to cover living costs (Barr and Crawford, 1998.). However, already in 1981. PM Thatcher started reducing expenditure on higher and further education by 8% over the following three years – this was seen as a significant change in policy that initiated the reshaping of higher education under conditions of severe resource restraint (Eurydice, 2000.). All throughout the 1980s participation continued to rise, however in 1992. the government again forwarded measures to limit public expenditure by limiting the number of students and lowering funding per student. The most important policy shift in funding, however, was the decision, following the 1997. Dearing Report, to charge student fees (Green et al., 2000.). From 1998. onwards, students have been paying a flat fee determined by the government[10]. Their contribution towards tuition is means-tested, so poor students pay lower or no tuition fees based on their, their parents' or spouse's income.

Reforms to student financial aid were introduced earlier, in 1990., when means-tested grants for maintenance costs were supplemented with loans, with the grant and loan ratio equalising by 1996. (Eurydice UK, 2000.). In 1999. maintenance grants were completely replaced by loans. Further reform measures were passed in Parliament in 2003. and will come in effect in 2006.: in England[11] variable fees will be introduced with a £3,000 cap and up-front fees abolished. Students are expected to finance tuition and maintenance costs through an income-contingent loan, while the government will continue to meet some of the tuition and maintenance costs for the poorest students (Glennerster, 2003.). Key policy changes here are differential fees and income-contingent loans. Differential fees should introduce the price mechanism into the system - however, since according to the latest estimates almost all universities will charge the maximum £3,000,[12] that policy does not seem successful. Income-contingent loans mean that there is no longer means-testing of parents' income (Barr and Crawford, 1998.).

With the latest round of legislation, the UK has introduced far-reaching privatization reforms in higher education funding. The funding system is now based on tuition fees and income-contingent loans. Students are given financial responsibility over their choices and commitments towards investment of time and money into higher education. Regarding funding formulas, the UK has not introduced many market-inspired innovations; in the Netherlands, for example, these developments went much further (Theisens, 2004.). In the UK teaching and research are funded separately. In funding

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[10] For the 2004./2005. academic year they were £1,150 (HEFCE 2004.).

[11] The Welsh Assembly and Scottish Parliament made somewhat different arrangements. Welsh universities will charge differential top-up fees to English and Scottish students, while Welsh students will still pay the means-tested flat fee of £1,200. Scottish students currently pay a £2,145 endowment for their four-year degrees after they graduate and that is not expected to change ('No Top-up fees for Welsh students' *The Guardian* June 22, 2005., 'Scotland to raise tuition fees for English students' *The Guardian* June 20, 2005.).

[12] *The Guardian*, January 6, 2005.

teaching Britain has been applying the conventional block grant based primarily on last year's expenses. In funding research however the UK has had a competitive performance-related system of funding ever since 1985., when the Research Assessment Exercise was introduced (Bleiklie, 2001.). Based on this assessment of their research performance university departments are arranged hierarchically and funds follow that ranking closely.

As a short summary, in the UK the 'marketization' reforms went furthest regarding the introduction of private money into higher education, which conforms to the welfare regime typology as espoused by Esping-Andersen (1990.). Regarding funding formulas tied to public funds, the UK is using competitive funding, but not output funding. The liberal legacy of non-governmental interference explains this lack of government enthusiasm for imposing objectives and targets. As for demand funding, the UK is using this mechanism, but via another measure – tuition fees. Since HEIs will be funded directly by students, they will compete for them, which is another way of installing demand-funding.

Turning to the Republic of Ireland, according to Esping-Andersen, this is another country characterised by a Liberal welfare state regime (2002.). Prior to reforms in the mid-1990s, the Irish higher education funding system largely resembled that of current UK practice. Apart from government funding, the largest proportion of funds flowing into higher education was from tuition fees. However, reports on access and participation at the beginning of the 1990s warned of increasing social inequalities and thus overcoming economic and social disadvantage became an issue high on the political agenda. This happened during a period of unprecedented economic growth in Ireland: in the period 1990-1995 the average annual growth rate was 4.78% and from 1995. to 2000. it rose to 9.5% per annum, bringing with it far reaching social change (OECD, 2004.). Increasing wealth might explain why at a moment when other countries were struggling with financial cuts to higher education funding, Ireland decided to abolish student fees. From 1996., home and EU undergraduates had free access, and the loss to HEIs was to be compensated by the government. However, this policy resulted in a net decrease of funding - direct state support per student fell by €1,240 between 1995. and 2001. (Conference of Heads of Irish Universities, 2003.). Even more disturbingly, after the abolishment of tuition fees the 'great disparities continued to exist in the participation of students from families of different socio-economic status (OECD, 2004.). The Irish experience seems to corroborate Vossensteyn's (2002.) claims about the inelasticity of student demand.

The reintroduction of fees is currently being strongly advocated by both the academic community and the Higher Education Authority, which is Ireland's governmental agency in charge of higher education policy and planning. However, the government is not preparing their re-introduction at this time. As for student financial support, a Higher Education Grants scheme awards means-tested maintenance grants to undergraduate students and tuition and maintenance grants to postgraduate students. About 37% of third level students received these grants in the year 2000./01. (HEFCE-OECD, 2004.). In 2002./03. the Department of Education and Science undertook a major review of third level tuition fees and student support which, among other things, considered the introduction of some type of student loans system to replace the free fees system; however, the government has not announced any charges in the existing system.

Regarding funding mechanisms, Ireland has a system similar to the UK – core funding for teaching is allocated as a block grant, calculated on previous' years expenses. The difference is that in Ireland this funding mechanism applies both to teaching and research – there is no competitive assessment in the basic research funding (OECD, 2004.). The Higher Education Authority's 2004. position paper proposes an increase in the proportion of the funds allocated competitively and also suggests that the core element should include performance-related elements like student numbers and output criteria; however these measures have not yet been adopted or implemented.

Evidence from Ireland and the UK exposes their key characteristics as Liberal regimes. However, their closer comparison regarding the introduction of quasi-market mechanisms and privatization shows that while the UK conforms to the assumptions of the welfare regimes' typology, Ireland overall does not. They are similar in that neither of them has made extensive use of performance-related funding mechanisms. As for privatization measures, Ireland abolished fees in 1996., while the UK introduced them in 1998. Both countries used to support students through maintenance grants, but in the 1990s Britain moved on to income-contingent loans, while Ireland still has the same system in place. Ireland is an exception among all the countries in this study in how late it joined the advanced industrial countries. Its rather unique development, especially over the last two decades, arguably explains the unexpected policy of abolishing tuition fees and the continual state support of students through maintenance grants. In a time of unprecedented growth, the public mood in Ireland called for a measure that would alleviate the severe inequalities of participation among various income groups.

Continental European Welfare Regimes

France and Germany have traditionally had free, or virtually free, higher education (Glennerster, 2003.). In 2002. the German Federal Education Minister, SPD's Edelgard Bulhman, advanced the amendment of the Higher Education Framework Act to prevent German states *(Länder*) from charging tuition fees. Her amendment was ruled unconstitutional by the Constitutional Court in January 2005., which in short meant the introduction of tuition fees in Germany: a milestone change in higher education policy in that country. The six *Länder* governed by the conservative CDU/CSU opposition[13] challenged the amendment before the court and after the ruling they immediately announced the introduction of tuition fees (Goethe Institute, 2005.). At this point, many aspects of this reform remain unclear: the amount of fees to be charged, whether revenue from tuition fees will be kept by the universities and, possibly most importantly, how the equity of access is going to be preserved - so far no definite proposal for changes to the student financial support system has been put forth.

The existing financial support system was established in 1970s. It was based on the principle of family contributions: state support was seen as subordinate to the students' and parents' responsibility for student well-being. Furthermore, civil law stated that families should provide for their children's upkeep throughout their entire education, even after maturity (Eurydice, 1999.). All throughout the 1970s and 80s the state support for student aid decreased, and in 1990. a system of half-grant, half-loan was introduced. In 1996. a provision was added, according to which the loan became interest-bearing for students studying

[13] either alone or in coalition.

beyond the maximum authorised period. In the same year registration fees were introduced, charged to students in extended periods of study. These measures aimed to reduce the average length of study, but they were unsuccessful. Since the government consistently reduced the already low level of student support, students increasingly relied on working during their studies, thus taking longer to graduate. This corresponds to the prediction based on the welfare state typology, according to which Continental European welfare regimes are characterised by only partial student support, based on the assumption that the family will take care of the student.

The German higher education system is the largest of all the systems reviewed here, with around 335 HEIs (Eurydice, 2000.). It is also one of the most heavily criticized for under-investment (Küpper, 2003., Hartwig, 2004.). A key problem in Germany was that the number of students doubled between 1970. and 1990., while financial and other resources provided by the government remained constant (ibid). 1990. brought unification and with it further financial strain to the government budget. In 1996. the federal government proposed a reform ('Differentiation in the Distribution of Resources' by the Standing Conference of Ministers, 1996.) that among other things proposed the introduction of performance-related funding (Eurydice, 2000.). At this time the *Länder* were trying out block grant budgets in pilot projects; until the 1990s German states still had input-based line budgets which gave HEIs very little flexibility and autonomy over spending. Since the 1990s the *Länder* have been increasing HEIs' managerial and financial autonomy, but the primary drive for this was to shed workload in an environment of budget cuts (Hartwig, 2004.). Today all 16 *Länder* fund HEIs via block grants and allocate a part of the budget according to performance parameters[14].

Altogether, government funding of German higher education has undergone substantial reform, even though it has happened incrementally over a long period of time. Performance-elements introduced are a mix of competitive and output funding and in the German context they primarily represent attempts to make the most of the existing funding and prevent any waste in times of financial austerity. However, conservative-led *Länder* have won the debate over introducing a key market-type reform leading to the privatization of higher education – the introduction of tuition fees. This might prove as an influential policy change in Europe, since the German system is famous for free access to higher education.

Similarly to Germany, the support for students' living expenses is partial in France. Financial support is based on a means test of parental income, with low-income limits and low sums that are awarded (Glennerster, 2003.). The government grant is designed to cover half of real life and fees expenses at the maximum (Kaiser, 2001.). According to Eurydice report, the student support system in France is 'over-

[14] Baden-Württemberg is presented as an illustration. HEIs in Baden–Württemberg are allocated budgets in two parts: the quantity-determined and the incentive part. According to Hartwig, HEIs compete for the quantity-oriented part of the funds on the basis of the number of students in their first to tenth semester, number of graduates as an average of the last two years, level of acquired third-party-funds, and number of doctorates as an average of the last two years. The incentive part of the budget awards HEIs additional funds for reduced drop-out rates, an increase in the number of foreign students, female graduates and the proportion of women doctorates as well as the increase in third-party funds (2004.). These new ties to government funding were accompanied with the development of a Stability Pact, a 10-year contract between the government and HEIs that provides them with financial planning security. Other *Länder* have introduced measures similar to these (ibid.).

complex, incoherent, inefficient and inequitable' (2000.:333). Students pay no tuition, but they are obliged to pay an enrolment fee, which is determined by the government and is kept low. In private institutions, fees are determined by HEIs themselves, and are considerably higher (Kaiser, 2001.).

Regarding funding policy, France uses the input-based allocation-model where previous' year's expenses form the base for calculating the amount of the grant. The only substantial innovation to funding mechanisms in the period 1980.-2000. was the introduction of 'contractual policy' initiated by Education Minister Jospin in 1989. The aim of this policy is to give more autonomy to universities and to enable them planning security, similarly to the German 'Stability Pact' agreements. HEIs draw up four-year development plans that are transformed into 4-year contracts after negotiations with the education ministry (Kaiser, 2001.). The policy allows for longer- term planning, but since it is not legally binding, the state has been known to go back on it (Eurydice, 2000.).

Among all the countries surveyed in this study, France seems to have the most traditionalist approach to higher education funding and has yet to tackle both solutions for more efficient government funding mechanisms and for introducing more money into the system. At this point, it does not seem to have moved in any considerable way towards marketization, which has been the key movement in higher education reforms across Europe. It therefore presents somewhat of an exception.

CONCLUSION

The main objective of the study was to test whether Esping-Andersen's (1990.) typology of welfare regimes can be used to explain higher education funding policy change in Western Europe in the period between 1980. and 2000. Table 5. illustrates key features of the seven countries analysed.

Table 5.
Key features of higher education funding policy

Country	Fees*	Loans/grants*	Funding model
Sweden	no	combination of grant and loan to cover full living expenses	block grant, combined with output funding based on real student numbers
Norway	no	combination of grant and loan to cover full living expenses	block grant, combined with performance-related funds (25% of total budget)
the Netherlands	yes, determined by government	performance grant to cover full living expenses	block grant combined with performance-related funds tied to student number and number of degrees
Ireland	no	means-tested grants for living expenses	block grant determined on previous year expenses
UK	yes, determined by government	loans for living expenses	block grant determined on previous year spending
France	no	partial means-tested assistance for living expenses	line-item budgeting based on inputs
Germany	no	partial means-tested assistance for living expenses	block grant combined with a small performance-related element

*for undergraduate study.

Overall, the welfare-regime typology proved to be a useful heuristic device to analyse recent reforms in higher education funding in Western Europe. An initial impression of all the countries converging on marketization reforms was exposed as more complex, and key differences were pointed out. The study has shown that regularities do exist, and they broadly conform to the welfare regime typology. This is a relevant finding which supports the historic institutionalists' assumption that institutions condition countries' responses to policy change (Hall and Taylor, 1996.). However, countries did not completely conform to type. In part this is due to an inherent deficiency of any ideal-type analysis: ideal types are simplified models, and as such they are always too neat compared to the complexity of empirical findings. Finally, an important element that might explain why some of the analysed policies do not conform to the assumptions of the typology is that today higher education policy is increasingly formulated in the crossroads between the domains of social policy and economic policy. This study examined reforms through the lens of institutions of social policy; a more detailed analysis of economic policy - particularly labour and industrial policy - in these countries would shed further light on these findings and possibly explain instances where evidence did not support the logic of welfare regimes.

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Sažetak

MARKETIZACIJA U POLITICI VISOKOG OBRAZOVANJA: ANALIZA REFORMI POLITIKE FINANCIRANJA VISOKOG OBRAZOVANJA U ZAPADNOJ EUROPI U RAZDOBLJU OD 1980. DO 2000. GODINE

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Uspostavljanje obrazaca promjene politike financiranja visokog obrazovanja u Zapadnoj Europi u razdoblju od 1980. do 2000. godine glavni je cilj ove studije. Obrasci promjene prate se rabeći tipologiju režima socijalne države koju je uspostavio Esping-Andersen (1990.). Osnovna je pretpostavka da glavna institucionalna obilježja režima socijalne države upravljaju razvojem reforme u politici financiranja visokog obrazovanja. Studija pokazuje da zakonitosti unutar režima postoje, te se uvelike podudaraju s tipologijom režima socijalne države. Ipak, države se ne priklanjaju tipovima u potpunosti. To je djelomično uvjetovano nedostatkom klasifikacije idealnih tipova, no još je važnije to što se čini da je to uzrokovano činjenicom da se politika financiranja visokog obrazovanja ne može u potpunosti objasniti kroz prizmu socijalne politike.

Ključne riječi: politika financiranja visokog obrazovanja, marketizacija u visokom obrazovanju, režimi socijalnih država.

36. str. prazna