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# The Role of Intermediary Bodies in Enhancing Quality and Sustainability in Higher Education

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## Summary

This paper examines whether intermediary bodies are useful in advancing government goals for quality and sustainability in higher education systems. It explores the evidence about intermediary bodies through case studies of England, Israel, New Zealand and the United States. It also treats the case of Ontario, whose best-known intermediary bodies have been the Ontario Council on University Affairs and the colleges' Council of Regents.

The theoretical literature on intermediary bodies in higher education suggests that intermediary bodies are potentially useful actors in policy and administration. Many intermediary bodies were established to manage growth but in recent years have been reoriented to managing fixed or declining resources and flat or declining enrolments.

The experiences of England, Israel, New Zealand and, to a lesser extent, the United States show how intermediary bodies can have a positive influence on quality and sustainability while insulating allocation decisions from the pressures of constituency-based politics.

- The general direction of government policy on higher education – in Ontario and all of the jurisdictions examined in this paper – is toward more government control and more policies that promote competition among higher education institutions. Governments have adapted their intermediary bodies to support this new direction.
- An intermediary body is not a substitute for a government ministry. In all of the jurisdictions studied, the intermediary body complements specialized staff, either in a self-standing ministry or within a department of education, who support the government in developing policies for steering the direction of the higher education system.
- An intermediary body can be useful in helping a government achieve its objectives for quality and sustainability in higher education. The intermediary body may assist in shaping objectives, building long-term political support for them and carrying them out, especially when the decisions required could be politically sensitive.
- Depending on the jurisdiction, some of the relative strengths of intermediary bodies relative to government departments may be:
  - greater availability of executive time to deal with multiple stakeholders
  - specialized staff with advanced training in higher education policy
  - a longer time perspective, both past and future, and a capacity to pursue a policy direction continuously over time
  - a capacity to make judgments based on qualitative and non-standardized information that cannot be reduced to formulae – for example, judgments about academic quality, resource allocation and institutional mission
  - arm's-length distance from government administrative and decision-making processes that tend to reduce time on task
  - insulation from the pressures of constituency-based politics
  - a capacity to insulate government from controversial decisions

With specific reference to Ontario, these findings from the experience of other jurisdictions suggest some ways in which an intermediary body could be helpful as the Ontario government seeks to pursue quality and sustainability through its differentiation policy framework.

- An intermediary body may be a useful device for pursuing and eventually renewing the current Strategic Mandate Agreements. An intermediary body would have two advantages that are especially important: an ability to devote sustained attention to implementing policies over a long period of time and an ability to apply judgment to particular cases in a way that is generally seen as fair.
- An intermediary body may be essential if the government wishes to allocate funding in a more strategic way. Research funding may be a high priority: the largest opportunity for achieving better value for money in higher education lies in improving accountability for research funds.
- An intermediary body may also be useful in making fair and evidence-based decisions on controversial allocation issues, such as the allocation of new seats in graduate programs, approvals of new academic programs, assessments of current programs, and assessing the need for new degree programs from colleges and private institutions within a differentiated higher education system.
- An intermediary body may be useful in identifying situations where two or more institutions could cooperate to maintain access and quality while reducing unnecessary duplication, and it could provide incentives for them to do so.

The paper concludes with observations on how an intermediary body could contribute to addressing long-standing concerns of governments and higher education institutions, while advancing objectives for quality and sustainability.

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## Introduction

This paper examines whether intermediary bodies are useful in advancing government goals for quality and sustainability in higher education systems. The principal research question I address is: what evidence exists that intermediary bodies are effective in developing and maintaining quality and sustainability in higher education systems?

Based on this research, I offer some thoughts on whether and how an intermediary body can be useful in promoting and maintaining a high-quality system that is sustainable over time, particularly in an Ontario context.

### Intermediary Bodies

By ‘intermediary body’, I mean an agency of government that occupies a zone of relative independence between the government and the higher education institutions. Intermediary bodies differ from government ministries and departments, whose staff are full-time public servants who report directly to elected leaders. They also differ from governance boards, which have direct legal authority to govern a higher education institution or system of institutions, and from self-regulatory bodies that may be formed by the higher education institutions.

An intermediary body’s role may be either advisory or regulatory.

- An advisory intermediary body provides advice to the government on policy goals and policy instruments with respect to system coordination and planning issues (such as funding and academic quality) as they relate to governmental objectives and societal needs.
- A regulatory intermediary body has the authority to undertake and implement system planning and coordination functions such as assigning institutional missions, establishing enrolment levels, allocating government funds and approving academic programs.

Intermediary bodies are sometimes labelled ‘buffer bodies’, on the premise that direct contact between the government and higher education institutions would prove abrasive to one or both sides. Whether the body actually performs a buffering role depends on its legal authority and how the authority is used.

### Quality and Sustainability

The Ontario government has adopted differentiation as a “primary policy driver” for supporting quality and sustainability in the higher education system. Its Differentiation Policy Framework is intended to provide:

...a balanced and collaborative approach to better support the government’s vision and priorities for postsecondary education, while supporting institutions in demonstrating leadership through their distinct contributions. The overarching goals for differentiation of Ontario’s postsecondary education are to:

1. Support student success and access to a high-quality Ontario postsecondary education
2. Improve the global competitiveness of Ontario postsecondary education system
3. Build on and help focus the well-established strengths of Ontario colleges and universities while avoiding unnecessary duplication
4. Maintain an efficient and financially sustainable postsecondary education system. (MTCU, 2013, pp. 6, 9)

The government defines quality with respect to both teaching and research. It “recognizes that high-quality teaching is tied to improved student outcomes” and it wants to ensure that postsecondary education “provides students with the knowledge and skills needed to succeed in their personal and career aspirations, and as engaged citizens.” The government supports “world-class research and innovation” so the postsecondary education system “contributes to the economic success of the province.”

The government defines sustainability to mean “a financially sustainable, high quality postsecondary education system in both the short and long term” (MTCU, 2013, pp. 7-8).

In 2012, the Higher Education Quality Council of Ontario (HEQCO) formed an expert panel to assess the proposed Strategic Mandate Agreements that universities and colleges had prepared at the request of the Minister of Training, Colleges and Universities.<sup>1</sup> One of the expert panel’s conclusions was:

Although the government drives change and is instrumental in setting desired outcomes, it should consider devolving and depoliticizing outcomes-based funding decisions to an external group of experts that represents societal interests and is charged to implement government direction. (HEQCO, 2013, p. 8)

The present research is intended in part to explore that recommendation more fully and to consider whether and how an external intermediary body might play a useful role in promoting the Ontario government’s quality and sustainability goals.

## Methodology

I explore the evidence about intermediary bodies through case studies of jurisdictions that have made use of these bodies in higher education over the past three decades (or longer). These jurisdictions – England, Israel, New Zealand and the United States – have been chosen based on these considerations:

- They are ‘best cases’ – in other words, they have an intermediary body that is widely thought to play an effective role (or to have had one in the past).
- There is a literature of primary documents and secondary studies that describes the intermediary body and situates it within the jurisdiction’s educational, economic and social environment.
- The secondary literature includes efforts to assess the effectiveness of the intermediary body.

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<sup>1</sup> The author was one of the ten panel members.



- The nature of the higher education system in the jurisdiction is sufficiently similar to Ontario's to be policy-relevant for Ontario. In particular, the jurisdiction has democratic governance; academic freedom is generally respected; higher education institutions have relative autonomy to govern their internal affairs; and the number of higher education institutions is of the same order of magnitude as in Ontario.

For each jurisdiction I ask:

- What were the historical circumstances that caused the intermediary body to be formed?
- What are the intermediary body's powers? How has the intermediary body used these powers over time?
- How has the intermediary body's role related to the level of quality and sustainability in the higher education system?

The mandate of the intermediary bodies varies from one jurisdiction to another. In England, Israel and New Zealand, intermediary bodies were created with a mandate that was limited to universities and was later expanded to cover colleges or other types of institutions. In U.S. states, the mandate is sometimes limited to universities.

I treat at greater length the case of Ontario. The development, operation and eventual demise of Ontario's best-known intermediary bodies, the Ontario Council on University Affairs and the colleges' Council of Regents, have obvious relevance to any decisions about a future role for an intermediary body in Ontario.

Based on the findings of these cases, I offer some reflections on whether an intermediary body could be useful in advancing the Ontario government's goals for quality and sustainability in higher education, and if so what its role might be.

## Theoretical Perspectives

Several themes emerge from the theoretical literature on intermediary bodies in higher education:

- Intermediary bodies are potentially useful actors in policy and administration, but they are never the sole actor. Intermediary bodies are one of many forces that shape a jurisdiction's higher education system. Any claims about how powerful an intermediary body is (or should be) must be situated in the context of the other forces that shape the system.
- The potential usefulness of a higher education body needs to be seen in the context of the actual challenges facing a higher education system. Many intermediary bodies were established to manage growth but in recent years have been reoriented to managing fixed or declining resources and flat or declining enrolments.
- The policy impact of allocating government operating funding has diminished as the share of funding from students has increased. Government funding needs to be deployed in new ways that provide incentives for institutional behaviours that align with policy objectives.

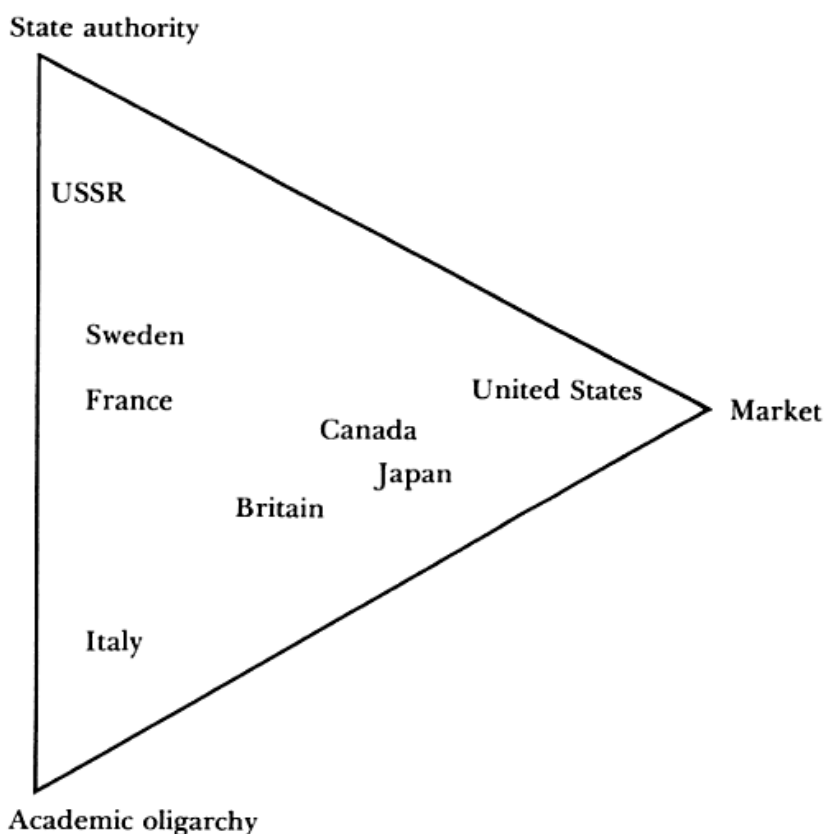
### Intermediary Bodies and the Constellation of Higher Education Actors

Burton R. Clark (1983) argued that all higher education systems are shaped by a “triangle of coordination” involving three sets of forces:

- State authority (governments and their associated agencies)
- Markets (the competition among higher education providers for students, faculty, prestige and resources)
- The academic oligarchy (the collective voice of the academy as the provider of higher education and influential stakeholder)

Each jurisdiction can be located somewhere within this triangle, with some jurisdictions near one of the vertices where one set of forces dominates the other two. Clark’s triangle is shown in Figure 1, with selected jurisdictions located as of 1983.

Figure 1: Clark’s Triangle of Coordination



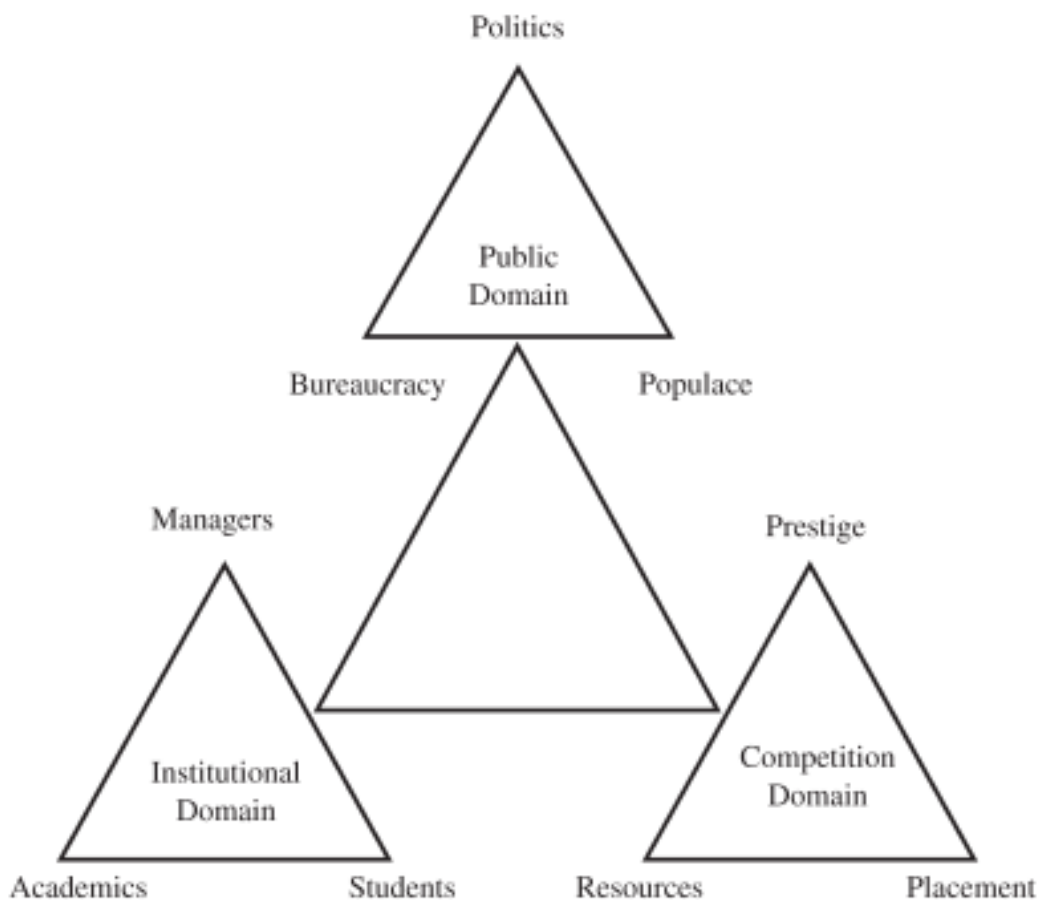
Source: Clark, 1983, p. 143

Jose Salazar and Peodair Leihy (2013) have elaborated on Clark’s model by showing how each of the three vertices is its own complex set of forces. Within the domain of state authority, there is competition among:

- the bureaucracy, which seeks rational outcomes based on administrative expertise
- politics, which seeks to gain and maintain power by addressing the demands of influential parts of the public
- the populace, which seeks to make public policies that are responsive to public opinion

Salazar and Leihy identify similar levels of complexity on the other two vertices of the triangle. The academic oligarchy is composed of multiple forces with competing priorities, including faculty, academic administrators and students. The domain of competition is really several domains, competing for students, faculty, resources and prestige. Salazar and Leihy’s elaboration of Clark’s triangle is shown in Figure 2.

**Figure 2: Multiple Domains of Forces that Shape Higher Education**



Source: Salazar and Leihy, 2013, p. 60

This work has several implications for the study of intermediary bodies.

Every intermediary body operates within a complex constellation of higher education actors, each of which has its own sources of power. No one should fear (or hope) that an intermediary body will become the czar of a higher education system.

Within the domain of state authority, the purpose of an intermediary body is to provide an effective form of bureaucratic power. The intermediary body may shape or constrain the powers of the market and the academic oligarchy, and it may also shape or constrain the power of political actors and public opinion. Frank M. Bowen and his colleagues say that typical roles of an intermediary body may be to:

- buffer political intrusion
- avoid geopolitical problems (in constituency-based electoral systems)
- maintain continuity in decision making
- sustain attention to system issues
- support institutional presidents
- articulate an understanding of system mission
- face up to change when other actors lag in doing so
- deal with emerging public policy issues. (Bowen, Reeves Bracco, Callan, Finney, Richardson & Trombley, 1997, p. 12)

In other words, intermediary bodies affect how well government authorities perform tasks that, in one way or another, are unavoidable.

Regardless of how a state organizes its higher education enterprise, it must find ways of: (1) identifying public priorities among the interests articulated by groups inside and outside of government: (2) organizing and administering a formal system out of fragmented parts: (3) enhancing the quality and protecting the integrity of the academic enterprise: and (4) providing reasonable freedom of choice to promote system flexibility and adaptability.' (Bowen et al., 1997, p. 12)

As Robert O. Berdahl noted in his classic study of higher education coordinating bodies in the United States:

There is no such thing as “no coordination.” Where neither voluntary nor statutory agencies have existed, state organs – governor’s office, budget office, legislature, state auditor, etc. – made the decisions, usually on an *ad hoc* basis, which implicitly performed this [coordination] function. (Berdahl, 1971, p. 240)

## Changing Roles and Policy Instruments

It is widely observed in the literature that the roles of intermediary bodies have changed over time (McGuinness, 2002; Davis, 2011; Wellman, 2013). In the mid-twentieth century, their primary role in most industrialized jurisdictions related to system expansion: intermediary bodies were expected to promote

rational and politically acceptable expansion, ensuring broad geographic accessibility to a broad selection of academic programs, with appropriate and comparable student services.

In recent years the roles have shifted to those associated with managing mature systems. This shift is attributed to a number of factors that may include:

- the rise in participation rates and arguments that higher education is approaching universality
- the leveling-off or decline of enrolments in some regions
- the leveling-off or decline in government operating dollars for higher education, associated with lower economic growth rates, continuing growth in the costs of competing government programs and voter unwillingness to support higher taxes
- perceptions that current governance and funding arrangements are not generating as much economic growth or as many opportunities for graduates as they should
- increasing public distrust in elites' ability to manage public institutions in ways that serve the public interest.

These factors are sometimes linked to globalization and public sector austerity, but questions about whether higher education systems that expanded in the 1960s are meeting public goals have in fact been developing in various forms since the early 1970s.<sup>2</sup>

Rather than managing growth, intermediary boards increasingly have the role of managing the existing capacity of systems and encouraging colleges and universities to use their capacity as efficiently and effectively as possible. This means an emphasis on cost management, assigning selected missions to each institution and encouraging strategic actions that will support high levels of access in a constrained revenue environment over the long term.

At the same time, the traditional policy instruments available to intermediary bodies have become more difficult to use, and governments have been deploying other instruments that make the policy environment more complex.

- In most industrialized jurisdictions, the government share of higher education operating revenues has declined and the student share has increased. Institutions have a strong financial incentive to maintain and increase enrolments to earn tuition revenue, regardless of other government policies. Government operating grants – the traditional policy domain of intermediary bodies – need to be deployed in new ways in order to provide incentives for college and university behaviours that support policy objectives.
- Funds for higher education are coming from a larger number of sources, many outside the domain of intermediary bodies. Government sources may include research councils and programs that support teaching hospitals and the health professions. Ancillary activities – notably parking, food services and other commercial ventures – may be a significant source of revenue for higher education institutions. International students are an increasing revenue source in some jurisdictions.

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<sup>2</sup> For an Ontario example, see Commission on Post-secondary Education in Ontario (1972).

## Increased State Control, Increased Market Competition

Governments have increased state control over higher education while simultaneously increasing the role of market competition in shaping higher education systems. To put this in terms of Clark's triangle of coordination: governments have been shifting the locus of control away from the academic oligarchy (and in some cases away from market completion) so that it occupies a location between the vertices of state control and market competition.

This simultaneous trend towards greater state control and greater competition deserves special consideration, as it raises questions about what intermediary bodies should attempt to do. Policy instruments that use market competition in higher education typically take the form of the government establishing certain 'rules of the game' and then requiring all higher education institutions to compete for funding. Many higher education funding formulae are essentially competitions in which institutions compete using the same indicators (either inputs or outputs) and are awarded funding accordingly.

Sadri Tahar and Roman Boutellier have argued that this form of competitive funding does not work well in higher education because it fails to fully grasp the range of information that is pertinent to making decisions. They cite these deficiencies in the competitive approach:

- Competitive processes assume that higher education institutions are unitary rational actors. They overestimate the ability of higher education managers to require behavioural change within the institution.
- The competitive approach assumes that goals are clear and the relationship between resource deployment and outcomes is certain, so optimal solutions can be found.
- The approach assumes that higher education faculty are highly motivated by external rewards, when in fact intrinsic motivation is more important. (Tahar & Boutellier, 2013, p. 690)

In reviewing the relevant literature, Tahar and Boutellier find a number of studies that are critical of how competition-based instruments have been deployed in supporting university research. Unintended consequences in the UK and Australia include "academics slicing up their work into the smallest possible entities for publication, encouraging aggressive headhunting for highly rated academic stars, and penalizing radical and risky research." In continental Europe, competitive funding based on quantitative indicators has been "introduced widely but implemented superficially," with many governments tying only a small portion of funding to competitive performance. Other studies have criticized competition-based funding for not promoting organizational learning and for not supporting improvements in faculty quality, which they see as the largest single determinant of institutional success (Tahar & Boutellier, 2013, pp. 691, 709). Competition for other domains of funding – such as competition for student enrolments, or to produce high graduation rates and employment rates – may also produce perverse outcomes if the policy instruments are badly designed.

Tahar and Boutellier argue in favour of what they call a "high-touch" strategy in which policymakers use face-to-face dialogues, discussion and negotiation to allocate resources. A variety of rich information sources may be used, including some that are semi-standardized and qualitative, such as peer reviews. Some

decisions may be ad hoc, but this is seen as unavoidable given complex goals and wide-ranging sources of pertinent information. They argue that a “high-touch strategy” encourages institutions to focus on distinctive strategies and discourages inappropriate competition and game-playing (Tahar & Boutellier, 2013, pp. 700-702).

This discussion has significant implications for the potential roles of intermediary bodies. Governments that wish to improve higher education performance through competitive formulae that rely exclusively on quantitative inputs have relatively little need for an intermediary body composed of experienced senior members. Quantitative formulae, once established, can be run more or less automatically. The role of an intermediary body comes to the fore when there is a need to make judgments based on qualitative and non-standardized information. Examples may include:

- assessments of academic quality
- assigning roles to individual institutions
- developing modes of evaluation that are appropriate to each institution’s role
- making judgments about whether certain forms of competition are constructive or destructive.

## Intermediary Bodies in Other Jurisdictions

This section examines the actual experience of intermediary bodies in four jurisdictions where intermediary bodies are widely believed to have had a significant impact in promoting or maintaining quality and sustainability: England, Israel, New Zealand and the United States.

### England

The role of the intermediary body for higher education in England has evolved. Until about 1980, it operated almost entirely behind the scenes, allocating government grants in ways that quietly maintained the universities’ established pecking order. It played a more prominent role in the early 1980s, when it implemented the Thatcher government’s funding cuts in selective ways that weeded out weaker programs.

Starting in the mid-1980s, the U.K. government began to take a strong hand in higher education policy and the intermediary body became a regulator that supported the implementation of policies developed elsewhere. The best-known of these was the Research Allocation Exercise, which awarded research funding competitively based on selected measures of research strength. With the advent of the coalition government’s higher education reforms since 2010, the intermediary body’s role as a regulator has been reinforced and it has been charged with creating a competitive market in which “consumers” (students) have high-quality information with which to make their own program decisions.

### *The buffer body: University Grants Committee (1919-1988)*

From its inception until about 1980, the University Grants Committee (UGC) functioned as a true buffer body, allocating government grants and shielding universities from intrusive or unpredictable government policy. Its members were leading academics (Dobbins & Knill, 2014, p. 115). The UGC had no legal authority

and was simply an advisory body to the UK Treasury (after 1964, to the Department of Education and Science), but its advice to government was almost always accepted. It assisted in the expansion of the university system after the Second World War, urging the government to establish new universities, finding locations and appointing academics from established universities to supervise them. The Department of Education and Science developed no policy capacity to supplement or challenge the UGC's advice (Shattock & Berdahl, 1984, pp. 476-480).

The pinnacle achievement of the UGC from the universities' perspective was the creation of five-year allocation envelopes beginning in 1924. Through these envelopes, the government assured the UGC of the funds that would be available and the UGC in turn gave each university the assurance of its future revenues. (The UK had no domestic tuition fees until 1998, so essentially all revenues came from government.) Allocation among institutions was based on historical expense and institutional reputation (Capano, 2011, p. 1630). In 1967, the UGC began attaching guidance memoranda from the government to this funding, cautioning universities to inform the UGC before undertaking any major initiatives not contemplated in the memoranda.

The five-year allocations met their demise in 1974-75. Inflation ranged as high as 25% in the UK in the early 1970s, leading to the need for annual additions to the grants. Government anti-inflation policies led to the cancellation of new capital grants. Government efforts to manage the financial and economic crisis proved inconsistent with universities' desire for stability (Shattock & Berdahl, 1984, pp. 486-487).

On taking office in 1979, Prime Minister Thatcher's government introduced funding reductions for universities, with further cuts in 1982 and 1983. By the early 1980s, the UGC had begun developing targeted measures to implement reduced allocations. The UGC advised universities that, while none would be closed, selected programs and departments would be abolished and academic tenure would not be a bar to this happening. The UGC rejected the option of equal across-the-board reductions. It stopped the planned expansion of medical schools. It set enrolment targets by field of study, with increases in engineering and physical sciences and reductions in arts and social sciences. Working through its academic subject committees, the UGC reduced or closed selected programs.

The resulting allocations of grant to universities showed that the UGC had been highly selective in its approach. Three universities (Aston, Bradford and Salford) received cuts in recurrent grant over three years of more than 30 percent and overall the cuts varied between institutions from 42 percent to 2 percent. The allocations were accompanied by detailed advice on the closure or running down of individual subjects, courses and departments, and the protection or expansion of others, and by a request for a full response on the action the university proposed to take and the staffing implications. (Shattock & Berdahl, 1984, p. 492)

At the same time, the UGC reserved for itself an allocation to support and reward restructuring and new initiatives.



### *The regulator: Higher Education Funding Council for England in the 1990s and 2000s*

The 1980s marked a shift in the UK government's role in higher education. Universities were forced to focus their attention on government priorities through the assessment of teaching and research, and substantial performance-based financial incentives were introduced. These changes led to a more competitive environment, with greater institutional differentiation of universities' objectives and functions (Capano, 2011, p. 1629).

The UGC was replaced in 1988 by the Universities Funding Council, which became the Higher Education Funding Council for England (HEFCE) when the polytechnics created in the 1960s gained university status in 1992. Higher education was also then recognized as a devolved responsibility, and Scotland and Wales established their own higher education funding councils.

Rather than a buffer body, HEFCE was better seen during this period as a regulatory body that implemented a policy framework set by an increasingly activist government. It was not a planning body. Giving HEFCE authority to plan the higher education system was explicitly rejected when its legislation was introduced in order to protect university autonomy (Scott, 2007, p. 3). During the 1990s and 2000s, HEFCE played these roles:

- HEFCE allocated to the institutions funded full-time undergraduate seats in higher education. The number of such seats was determined by the government.
- HEFCE supervised the quality of teaching and the maintenance of academic standards, partly through a contract with the Quality Assurance Agency (the higher education institutions' self-regulatory agency) and partly through direct interventions such as the National Student Survey. HEFCE has a statutory duty to ensure that the higher education it funds is of an appropriate standard.
- HEFCE monitored institutions to minimize the risk of financial failure. It required all institutions to submit financial forecasts that cover all sources of revenue and objects of expenditure, and it identified those at greatest financial risk (Scott, 2007, pp. 5-6).
- HEFCE gave formal and confidential advice to the Secretary of State about the needs of the sector. In response, each year HEFCE received a 'letter of guidance' from the Secretary of State. This is the formal channel through which political messages are passed to the Council. The level of detail varied, depending on the minister and the activism of the government (Scott, 2007, p. 3).

A particular responsibility of HEFCE has been the management of the Research Assessment Exercises (RAE), which have been held every three to seven years since the late 1980s. The objective is to allocate funding in a fair but non-egalitarian way and to safeguard and stimulate quality research. The details of the RAE have evolved but have had these core features:

- The RAEs are mostly based on periodic assessment of research achievements through peer review judgment by sub-panels in all subject areas, composed of academics who are experts in the discipline.

- Institutions are allowed to choose the academics to be assessed, listing them as active research staff. The active researchers are invited to submit a certain number of research outputs; four outputs were required in 2008.
- Ratings mainly focus on research quality but also take into account the research environment (research laboratories, PhD students, amount of funds they attract) and indicators of esteem (journal editorships, advice to industry, national and international awards). In 2008, 70% of the rating was assigned according to research quality, 20% to research environment and 10% to esteem.
- Assessment ratings and allocation of funding to universities are closely linked. Allocation takes into account the quality rating and the number of active research staff (Rebora & Turri, 2013, pp. 1658-1660).

### *The regulator and consumer advocate: HEFCE since 2010*

Since taking office in 2010, the coalition government led by Prime Minister Cameron has implemented significant reforms to make higher education in England more market-driven while reducing direct government expenditure. University tuition fees in England have been permitted to rise to a cap of £9000 per annum, coupled with an income contingent loan repayment plan managed by a separate government entity, the Student Loans Company. This fee increase is meant to make up cuts to direct grants covering “teaching and learning,” which have been reduced by 40%.

Consequently, HEFCE’s direct granting role has been reduced, while its role as principal regulator of the higher education sector has remained (UK Department for Business, Innovation and Skills, 2011, pp. 4-6). The total teaching grant in 2014-15 is £2 billion (compared with £7 billion in revenue to institutions from government-supported student loans). The primary purpose of the teaching grant is to provide top-up funding for higher-cost undergraduate programs (such as medicine, science and engineering) and public policy priorities that cannot be met by a student-led funding system alone. HEFCE may also provide support to small and specialist institutions such as music and arts schools. With the implementation of these reforms, HEFCE is no longer the primary source of funding for English universities but remains the lead regulator of the traditional higher education sector. HEFCE and other bodies that regulate higher education are in discussions about how to develop an appropriate regulatory regime for this new environment (Boggs, 2013, pp. 32-33).

In addition to the teaching grant, HEFCE provides £1.5 billion in quality-related research grants. The largest element of research funding, at just over £1 billion, is allocated through the RAE (now known as the Research Excellence Framework) by reference to research activity assessed as being either internationally excellent or world-leading in quality. The latter is funded at three times the rate of the former. The balance is allocated to encourage research funded by charitable sources or commissioned by business. Research-based graduate supervision is funded by a grant of £240 million (HEFCE, 2014, p. 6). The Research Excellence Framework was completed at the end of 2014, with greater emphasis than in prior years given to the impact of research outside the academy.

HEFCE has statutory responsibility for assuring the quality of education at the institutions it regulates. Since 1997, HEFCE has contracted with the sector-owned Quality Assurance Agency (QAA) to provide this quality assurance service. In November 2014, HEFCE pledged to introduce a new academic quality regime that

focuses on higher risk programs and relieves higher performing universities of regulatory burden. HEFCE, following the government's desire to improve student choice and under pressure from the UK's Competition and Markets Authority, is leading the development of improved statistics on program outcomes so students can make informed choices.

A new agreement with sector representative bodies has empowered HEFCE to attach conditions to universities' eligibility to access student loan funding. In practice, these conditions mirror those attached to grant funding. HEFCE will continue to monitor institutions to ensure financial stability and will have authority to intervene in institutional management if deemed necessary.

The policy of providing new funded seats to higher education institutions has been substantially revised, with concomitant changes to HEFCE's role. Currently, universities may create additional seats without limit for students with top marks in their secondary school programs. A revised quota system remains for other students. This policy has favoured the institutions that students perceive to offer the highest-quality programs. The government has announced that all student number controls for universities will be lifted effective academic year 2015-16, but questions remain how HEFCE will ensure maintenance of quality if there is rapid university enrolment growth.

### *Evaluations and observations*

Prior to 1980, little information was gathered that would allow us to assess the quality and sustainability of the system. Arguably the UCG succeeded during this period in managing the postwar expansion of higher education without diluting the reputations of Oxford, Cambridge and a few others.

The UCG's role in promoting quality and sustainability through differentiation can be seen more clearly in its management of funding reductions in the early 1980s. Its selective allocation of government funding cuts, coupled with targeted investments to support change, is generally judged to have protected better-quality programs after a period of rapid program growth.

The Research Assessment Exercise, introduced by the UK government and implemented by HEFCE, has clearly supported differentiated research funding. For example, of England's 89 universities, the 16 universities that belonged to the research-intensive Russell Group as of 2011 received two-thirds of competitively awarded government research funding (Clark, Trick & Van Loon, 2011, p. 174). The 2014 results show a similar concentration: the Russell Group universities produced 68% of the research deemed to be world-leading research. Performance-based funding of research has been especially important in promoting differentiation in a university system that since 1992 has included many institutions formerly classed as polytechnics.

The RAE has generated a large literature. Gianfranco Rebori and Matteo Turri's summary of this literature finds that the RAE has supported quality and sustainability among institutions and at the faculty level:

RAE was an effective measure to allocate funding in a non-egalitarian way by selectively providing funding to a limited number of institutions....

The literature generally acknowledges the positive contribution of the RAE to the quality of research in the UK. Benefits can be seen in the position of universities in the World University Rankings, the production of world-leading publications and the ability to attract highly productive researchers. Peer-review as an assessment mechanism has reinforced, albeit in dissimilar ways in the various disciplines, the weight of disciplinary élites and has thus favoured mainstream research...

At the institutional level, the RAE has important effects on universities owing to the close link between assessment outcomes and the allocation of government funding. Achieving a good rating in the RAE has effects on university funding which last for a number of years. The RAE is also closely linked to the reputation of universities and it affects their ability to attract financial resources from overseas or from postgraduate student markets....

RAE gives brilliant young researchers the opportunity to advance their careers and increase their salaries...

Academics who are formally excluded from the group of active researchers immediately acquire a semi-public status, which leads to an increase in their teaching and administrative burdens in order to reduce the workload of the active researchers. The fact of being 'research active' is equally demanding since the cyclical repetition of the exercise makes it compulsory to meet the expectations of quality research output. (Rebora & Turri, 2013, p. 1659, footnotes omitted)

Direct assessments of the role of HEFCE are scarce. Bahram Bekhradnia, a long-time observer of higher education and former policy director for HEFCE, concluded in 2005 that:

despite the inevitable grumbles about the decisions of the buffer body, by and large there is recognition that it does a reasonable job and makes reasonable decisions in the circumstances. It certainly helps that all three Chief Executives of the Higher Education Funding Council for England have been senior vice-chancellors, and in fact all three have been elected or have served as the President of the Committee of Rectors. (Bekhradnia, 2005, p. 4)

William Locke of the Centre for Higher Education Research and Information was somewhat more critical:

HEFCE's role is that of co-ordination – or implementation – rather than reform.... Its concern is damage limitation rather than policy initiation, and it seeks to ensure that higher education institutions do not fail. So it also has responsibility for overseeing institutions' financial auditing. However, from time to time, HEFCE does offer robust advice to the Government and has sought to protect the sector from the worst excesses of the State. Certainly this ensures stability but it may also inhibit change. (Locke, 2007, p. 10)

In more recent years, assessments of HEFCE have been heavily coloured by observers' perceptions of the government policies that HEFCE is asked to implement. The higher education historian Michael Shattock has argued that the evolution of these policies should be seen as a sign that higher education is no longer 'different' and so should be subject to the same accountability measures as other parts of the public sector. This lack of difference, he says, presents issues for university autonomy:

The dangers implicit in the present situation lie in the emergence of a compliant rather than a dynamic system, in the unconscious self-framing of the development of legally independent and autonomous institutions of learning in an inappropriate public service model, and the tacit acceptance of limitations on institutional freedoms that have imperceptible impacts on the quality of intellectual life; it will over time stifle institutional innovation. The invisible, and perhaps the not so invisible, hand that guides policy will not be the market as some commentators fear but the hand of government and of a centralised bureaucracy which regards the direction of higher education simply as part of a larger set of questions as to the affordability of public service provision... (Shattock, 2008, p. 200)

It is too soon to assess how successful HEFCE will be under the post-2011 policy regime. Bekhradnia and his colleague John Thompson foresee increased differentiation in the coming years, deriving from the new government policies rather than from HEFCE's own initiative. In particular, they see the lifting of quotas on additional students who earn high secondary school marks as a significant plus for the top-rated universities, who will benefit from more students and the high tuition revenue they will bring with them (Thompson & Bekhradnia, 2011, pp. 61-62). Other observers believe that the high-tuition, large-loan policy will eventually come undone when students graduate and cannot repay their loans. In either event, the primary initiatives for differentiation in recent years have come from the government itself, with HEFCE playing a complementary and supportive role.

## Israel

Israel's Council on Higher Education (CHE) was created to provide public governance of the universities while insulating them from political control. This insulation was reinforced by the creation of the CHE's Planning and Budgeting Committee, which has sole authority for allocating government funding for teaching and research to individual institutions. Since the 1990s, the government has tasked the CHE with expanding enrolments in higher education while reducing government costs. The CHE has overseen the expansion of higher education in a cost-effective way through the creation of non-research institutions.

### *State-sanctioned self-regulation: 1950s to 1980s*

From the establishment of the State of Israel in 1948 until the 1990s, essentially all higher education in Israel was publicly supported. At the time of its founding, Israel already had three well-regarded universities: Hebrew University, Tel Aviv University and Technion. Throughout this period, Israel's system of higher education remained relatively elitist: the university was the primary institutional type, and the share of young people proceeding to university was low by the standards of other industrialized countries.

To regulate this system, legislation was passed in 1958 creating the Council for Higher Education (CHE), a majority of whose members were academics. The law guaranteed (and continues to guarantee) that the institutions of higher education are autonomous in the conduct of their academic and administrative affairs within the framework of their budgets and their terms of accreditation. The CHE's chair was the Minister of Finance (after 1971, the Minister of Education). In its current form, the law requires the CHE to have 19 to 25 members, of whom at least two-thirds must be "persons of standing in the field of higher education." Its

membership must include the Chair of the National Union of Students. Members of the Council are recommended by the government and appointed by the President of the State for a period of five years. The legal institutionalization of the CHE's regulatory authority in 1958 granted the higher education system considerable autonomy vis-à-vis the government (Menahem, 2008, pp. 501-502).

In 1974 the CHE created what is now the Planning and Budgeting Committee (PBC), modelled on the U.K. University Grants Committee, and the government endorsed this committee in 1977. In practice, the PBC is the body that distributes higher education funding to individual institutions; the government is barred from doing so directly. The PBC is a subcommittee of the CHE, and the PBC's chair is a member of both bodies. The initial membership requirements were four "academics of standing from different academic fields", one of whom would be the chair, plus two members from business and industry. The minister appointed the chair, subject to the approval of CHE by secret ballot. The minister also named the members of PBC, subject to approval by the CHE. This process was intended to safeguard the universities from government intervention (Zadok, 1984, p. 537).

### *Expansion, differentiation and competition: 1990s and 2000s*

Starting in the 1990s, Israel faced the challenge of making room for a growing number of students who wanted to attend higher education, while at the same time cutting government spending and protecting the research-intensive universities. To do so the Israeli government adopted a plan prepared by the CHE in 1993 with these structural reforms:

- It developed a sector of public colleges, which are four-year teaching-oriented institutions that grant baccalaureate degrees.
- It permitted the establishment of private Israeli institutions, regulated by CHE but ineligible for government funding.
- It licensed extensions of foreign institutions that offer programs in selected fields of study. These are subject to administrative (but not academic) supervision by the CHE.

Within five years, the number of higher education institutions in Israel quadrupled (Menahem, 2008, pp. 501-502). By 2012, the number of higher education institutions had grown to 67: seven universities, an open university, 12 public four-year colleges, 15 private four-year colleges, nine arts and engineering colleges, and 23 teachers' colleges. The seven universities accounted for 29% of undergraduate enrolments, while all other undergraduates attended less expensive teaching-oriented institutions (Trajtenberg, 2012, pp. 10, 33). The public colleges teach fields that are deemed to be practical and to have lower research output, including engineering, health professions, management and communications (Grossman, n.d., p. 54). The private colleges teach almost exclusively law and business at the bachelor's and master's levels (Israel CHE, 2008, p. 8).

The reforms were contentious. In 2002, the government required the research universities to give up five of their 17 seats on the 25-member CHE. The five seats were re-allocated to the public colleges. One of the four academic seats on the PBC was assigned to the non-university academic sector. At about the same time, government allocations were cut by about 20%, creating a financial crisis for many universities, and the five-year funding allocations were temporarily suspended. A new five-year budget was agreed upon in

2004 on the condition that the universities revise their organizational structure and governance regime to strengthen the management role of the president and introduce efficiency measures (Menahem, 2008, pp. 517-519).

In 2003, the CHE established a national mechanism of quality assurance and assessment in higher education. The process requires periodical quality reviews at the level of the individual program of study in specific fields (i.e., all programs in a specific field at one time). Programs are to be assessed once every six years. Program assessments are based on institutional self-evaluation, conducted according to CHE guidelines, followed by an evaluation by international committees of experts in the field (mostly from academia) (Israel CHE, 2008, p. 5).

### *Managing differentiation: 2010s*

In their current iterations, the CHE and PBC have very substantial autonomy to manage the overall direction of a complex and differentiated higher education system. The PBC in particular is protected by law from political interventions in the allocation of funding, so higher education institutions have little reason to seek such interventions from the elected representatives.

The functions of the CHE in its current form are to authorize new higher education institutions, to authorize new programs and departments in existing institutions, and to approve any subsidiary studies under the auspices of an academic institution or branches of foreign institutions. The CHE may also submit to the government proposals for consolidation, expansion and improvement of existing institutions. It may submit, through the Planning and Budgeting Committee, proposals for state funding and additional institutions ([http://che.org.il/en/?page\\_id=3951](http://che.org.il/en/?page_id=3951)). In a given year the CHE and the PBC deal with approximately 400 applications in various stages, most of them requests to open new academic programs (Israel CHE, 2008, p. 5).

The functions of the PBC give it substantial autonomy from both the government and the CHE with respect to allocating grants to individual institutions. Its functions are:

- A. To be an independent body, which will serve as an intermediary between the government and the national institutions on the one hand and the institutions of higher education on the other in all matters relating to allocations for higher education.

*The Government and the national institutions will refrain from accepting requests or recommendations from the institutions of higher education themselves, or from any other source, and will refrain from budgeting allocations to an institution of higher education that is not according to the recommendation of the Planning and Budgeting Committee (PBC).*

- B. To propose the basic budget and the development budget for higher education, taking into consideration the country's social and national needs, while safe-guarding academic freedom and with due diligence for the need for advancing research and education.
- C. *To be the sole body that distributes the general approved budgets, for development and current needs, among the institutions of higher education.*



- D. To recommend to the government and to the Council for Higher Education programs for the development of higher education, and to plan their financing.
- E. To promote efficiency in the institutions of higher education and to coordinate between them in order to prevent duplication and bring about economy.
- F. To monitor the utilization of budgets in order to prevent deficits and irregularities.
- G. To render an opinion to the Council for Higher Education regarding the establishment of every new institution or new unit with financial implications in an accredited institution.  
([http://che.org.il/en/?page\\_id=3945](http://che.org.il/en/?page_id=3945), emphasis added)

Funding allocated by the PBC accounts for about two-thirds of the budgets of the universities and 50-65% of the budgets of other types of institutions (European Commission, 2012, p. 5).

- Funding for teaching is primarily based on enrolments weighted by field of study, with an adjustment for graduation rates.
- Funding for research is awarded on a competitive basis, with a special adjustment to provide extra funding to the top two universities in each major discipline. Only the universities are eligible. Each university is scored based on a weighted average of four measures: income from external funds, publications, number of PhD students and number of research master's students (CHE, 2008, p. 10). "In addition, the two leading universities in each of the 9 main academic disciplines also receive a bonus of up-to 20 % in both Competitive Research Grant and Scientific Publication components of the Budgeting Model" (European Commission, 2012, p. 6). Each university receives funding proportional to its share of the total scores.

### *Evaluations and observations*

The CHE and PBC have played longstanding roles in protecting the status of Israel's research universities. Prior to the 1980s, they did so by protecting them from competition and insulating them from direct political interference. Since the 1980s, they have done so by managing the rise of new higher education institutions. These have satisfied the growing demand for baccalaureate education while remaining categorically ineligible to receive government research grants. The number of teaching-oriented institutions is large so there is much market competition among them. They have won a small number of seats at the CHE and PBC tables.

Even though there are two main categories of institutions, they operate within a single system with a single CHE. Students at teaching-oriented institutions are guaranteed fair consideration if they wish to proceed to graduate school at a university. "All academic degrees of universities and other institutions are equal by law. Research universities must treat graduates of all universities and institutions of higher education equally in admission to post-graduate studies" (CHE, 2008, p. 21).

The CHE argues that this plan has led to high levels of access while maintaining and strengthening academic research. CHE publications are replete with international indicators showing Israel's research strengths, as measured by share of the world's output of scientific papers, number of papers and citations per capita,



share of publications published in foreign journals and share of publications with foreign co-authors (Grossman, n.d.; CHE, 2008, pp. 19-22). Some faculty at teaching-oriented institutions believe that they are evolving to become more like universities (Davidovitch & Iram, 2009). A recent CHE decision will reportedly allow colleges to apply for the right to grant selected doctorates, provided the college shows it is comparable to a university in number of researchers, their variety of research interests and its financial stability (Skop, 2015).

## New Zealand

New Zealand's University Grants Commission was initially created to allocate grants among four universities in a way that was insulated from politics. Sweeping reforms in the 1990s led to a system in which universities and non-university providers competed to receive government funds. In 2003 the government created a Tertiary Education Commission to provide strategic steering and moderate the effects of competition.

### *Maintaining an elite system: 1948 to 1980s*

Until 1961, New Zealand had a single university composed of four university colleges, geographically distributed across the two main islands. In 1948 the University of New Zealand's governing body established a Universities Grants Commission (UGC) to provide advice on allocating funding among the four colleges. The University Grants Committee recommended a formula for distributing funds to the colleges, provided each college agreed to keep its salary scale and tuition fees in line within certain norms. The UGC advised on various budgetary matters for more than decade (<http://www.teara.govt.nz/en/1966/education-university-university-of-new-zealand/page-12>)

The *Universities Act 1961* restructured the University of New Zealand into four autonomous universities: the University of Auckland, the University of Otago (Dunedin), the University of Canterbury (Christchurch) and Victoria University of Wellington. The Act continued the Universities Grants Commission and made it a government body, with powers to:

- recommend to Parliament the allocation of money to the universities
- review how universities spent public funds
- plan for the development of the university system, in consultation with the universities
- make recommendations to the government on any related matter

The Act set up a subcommittee to advise on proposals for new faculties and programs and to manage any difficulties about credit transfer, and another subcommittee to allocate to universities whatever money the UGC chose to designate for research

(*Universities Act 1961*, <http://legislation.knowledge-basket.co.nz/gpacts/reprint/text/1961/an/054.html>).

The UGC succeeded in maintaining differentiation among the four campuses in terms of programs of study. It maintained an elite system with relatively high rates of funding coming from government rather than tuition. Funding was allocated primarily based on enrolments weighted by field of study. In addition to the

universities, polytechnics and colleges of education received funding directly from the Department of Education based on staffing levels and requests for equipment and capital expenditures.

### *Competition and expansion: 1990s*

New government economic policies in the 1980s brought wide-ranging reforms that reduced public spending and reduced the role of government in the economy.

Legislation passed in 1990 established a system of charters by which each university would develop and maintain a contract directly answerable to the Ministry of Education (Olssen, 2002, p. 66). Institutions were given more decision-making authority over how they spent the funds they received. Institutions received a certain amount per FTE student, weighted by program. This amount covered capital and operating costs, as well as tuition and research.

The reforms in the early 1990s were intended to create a much higher level of competition among institutions. A new funding system for institutions was introduced, applying the same rules to all public tertiary institutions – encouraging universities and the non-university sector to compete with each other for students. Student tuition fees increased, institutions gained more autonomy in setting their own fees, and income-contingent student loans were established. Polytechnics expanded their offerings, enrolments in private institutions increased, and wānanga (Māori higher education institutions) were established as public institutions.

Greater reliance on student tuition fees gave universities incentives to expand their enrolments in this period. But the new system brought criticism for its lack of accountability and for weak management among the tertiary education institutions in some cases (New Zealand Ministry of Education, 2013, pp. 13-14).

### *Competition and strategic steering: 2000s*

New Zealand's current intermediary body – the Tertiary Education Commission (TEC) – was created in 2003 to bring better coordination to this highly competitive system.

The Labour Party government, elected in 1999, campaigned on the need to move away from a competitive marketplace environment in tertiary education to a more strategic, coordinated system whose direction was tied to national needs. It established the Tertiary Education Advisory Commission (TEAC) to advise on how to move in this direction (McLaughlin, 2003, p. 6). A particular concern was that the system encouraged continuous enrolment expansion without tying tertiary education to the needs of a knowledge-based economy (Grey & Scott, 2012, pp. 4-5).

TEAC recommended creating a permanent Tertiary Education Commission to oversee the system. It also recommended a new funding formula that would separate funding for teaching and research, with a new Performance-Based Research Fund (PBRF).

Under current legislation, the Minister for Education, Skills and Employment is required by law to issue periodically a tertiary education strategy that sets out the government's long-term strategic direction and its

current and medium-term priorities for tertiary education. The minister is required to consult with the TEC and other stakeholders before issuing the strategy.

The TEC has responsibility for all forms of postsecondary education and training. The TEC's responsibilities are:

- To allocate government funding for tertiary education
- To monitor and manage the performance of organizations it funds and provide information and advice to government about the tertiary education sector
- To give effect to the government's Tertiary Education Strategy in its decisions.

The government's current strategy document specifically contemplates that TEC will be "shifting funding over time to those [tertiary education organizations] that demonstrate they can make the best contribution to the outcomes sought by the Government" (New Zealand Ministry of Education and Ministry of Business, Innovation and Employment, 2013, pp. 22-23).

The law requires the minister to design funding mechanisms, but it forbids the minister from directing the commission to provide or deny funding to a particular institution. The process for allocating funding is set out in legislation:

The following steps describe, in general terms, how the framework for planning, funding, and monitoring in the tertiary education sector works:

- A. the Minister determines the design of funding mechanisms and whether funding under those mechanisms is via plans:
- B. the Commission develops the details of how to implement funding mechanisms: the Commission issues guidance on what must be contained in proposed plans:
- C. the Commission identifies criteria for assessing proposed plans:
- D. an organisation [that provides tertiary education] prepares a proposed plan—
  - (i) in consultation with the stakeholders the organisation considers ought to be consulted and any other persons specified by the Commission; and
  - (ii) in a manner consistent with the Commission's guidance:
- E. the organisation submits its proposed plan to the Commission:
- F. the Commission applies assessment criteria to the proposed plan and decides whether or not to give funding approval:
- G. if the proposed plan is given funding approval, the Commission determines the amount of funding payable to the organisation by applying the appropriate funding mechanism:
- H. if an organisation's proposed plan receives funding approval, the Commission monitors the organisation's performance to determine if it is achieving, or has achieved, the outcomes it has specified in its plan. (New Zealand *Education Act*, section 159)

The TEC also has statutory responsibility to build the capability of organizations that provide tertiary education and to provide advice to the minister on the activities and performance of tertiary education organizations and the tertiary education sector generally.

The TEC is governed by a board of commissioners appointed by and responsible to the Minister for Tertiary Education. The minister is required by law to appoint six to nine members who collectively have a breadth of experience and expertise and a depth of knowledge regarding areas of the tertiary education sector. The senior management team is made up of former managers in the public or private sector. None of the current commissioners or senior managers is a former professor or senior university administrator.

Quality assurance is carried out separately from the TEC. Public and private providers of tertiary education and training can apply to become eligible for government funding after they are assessed by a quality approval body. The New Zealand Vice-Chancellors' Committee provides quality assurance for university qualifications through the Committee on University Academic Programmes. This committee oversees inter-university course approval and moderation procedures, provides advice and comment on academic developments, encourages the coherent and balanced development of curricula, and facilitates cross-crediting between qualifications. The universities operate an Academic Audit Unit to carry out university academic quality audits, drawing on both New Zealand and international experts (New Zealand Ministry of Education, [http://www.minedu.govt.nz/NZEducation/EducationPolicies/InternationalEducation/Multilateral%20Engagement/Offshore%20Education/APECJointVentureSchoolsProject/The\\_New\\_Zealand\\_Tertiary\\_Education\\_System.aspx](http://www.minedu.govt.nz/NZEducation/EducationPolicies/InternationalEducation/Multilateral%20Engagement/Offshore%20Education/APECJointVentureSchoolsProject/The_New_Zealand_Tertiary_Education_System.aspx)).

### *Performance-based research funding*

One of the TEC's principal achievements has been the implementation of performance-based research funding (PBRF). The PBRF was established in 2002 to ensure that excellent research in the tertiary education sector is encouraged and rewarded.

Prior to the PBRF's creation, research funding was allocated as part of the operating grant, based on graduate student enrolments. That arrangement became problematic in the mid-1990s when non-university higher education providers, such as polytechnics and institutes of technology, began offering graduate degrees, diluting research funds among a larger number of institutions.

The PBRF process entails assessing the research performance of tertiary education organizations (TEOs) and then funding them on the basis of their performance. Degree-granting tertiary education organizations are eligible to participate in the PBRF. All universities and some institutes of technology and polytechnics, wānanga and private training establishments participate in the PBRF.

The government's aims for the PBRF are to:

- increase the quality of research
- ensure that research continues to support degree and postgraduate teaching
- ensure that funding is available for postgraduate students and new researchers
- improve the quality of public information about research outputs
- prevent undue concentration of funding that would undermine research support for all degrees or prevent access to the system by new researchers

- underpin the existing research strengths in the tertiary education sector. (New Zealand Ministry of Education, 2013a, p. 2)

In 2014, PBRF funding was NZ\$275 million, or about one-tenth of all funding distributed through TEC. In the university sector, PBRF funding was 18% of all funding distributed through TEC.

The PBRF distributes funding to universities and colleges according to their relative performance on three elements: quality, research degree completions and external funding. It uses a mixture of peer review of individual researcher performance and quantitative indicators of institutional performance. The results of the peer review indicator are considered valid each year until the next periodic evaluation, while the quantitative indicators are calculated each year (OECD, 2010, pp. 8-9). The indicators are formulated as follows:

- Quality evaluation (60%): This indicator is based on the individual faculty member and so differs from many department-based or institution-based models. Every six years, the PBRF gauges and reports the standard of research of each of New Zealand's approximately 6,000 researchers in tertiary educational institutions. These rankings — A, B, C and R — are provided to the institutions; a researcher can apply to receive his or her own rating. The outcomes are then weighted by quality and subject area, in line with the resources required for different fields. The individual results are aggregated by institution. All research outputs are rated by selected reviewers — a qualitative process that depends on individual judgments. The assessment criteria used by the panels are:
  - Research output (70% weighting): each faculty member is assessed based on up to four nominated outputs and up to 30 other outputs;
  - Peer esteem (15% weighting): assessed through prizes, awards, invitations, etc.; and
  - Contribution to research environment within the organization and beyond (15% weighting): assessed through supervision, research grants etc.
- Research degree completions (25%): This is a yearly measurement of the number of PBRF-eligible research-based graduate degrees completed at participating institutions. The funding formula for this component includes weightings for the subject area, Māori and Pacific student completions and the volume of research associated with the degree programme.
- External research income (ERI) (15%): This is a yearly measurement of the amount of total research income received by participating tertiary education organizations from external sources for research purposes. (OECD, 2010, pp. 8-9)

In the 2014 allocation, about 97% of PBRF funding went to the eight universities. About 20 other institutions shared the balance. Each university's share of the PBRF is somewhat different from its share of weighted student enrolments. The University of Auckland is the largest beneficiary and the Auckland University of Technology is the largest loser, as shown in the following table.

**Table 1: Universities' Share of PBRF and Enrolment-based Student Funding, 2014**

	Share of PBRF	Share of student funding	Difference
Auckland University of Technology	4.8%	11.7%	-6.9%
Lincoln University	3.4%	2.2%	1.2%
Massey University	13.6%	12.9%	0.7%
The University of Auckland	31.1%	26.4%	4.7%
University of Canterbury	9.7%	10.4%	-0.8%
University of Otago	20.8%	18.9%	1.9%
University of Waikato	5.7%	6.2%	-0.4%
Victoria University of Wellington	10.8%	11.2%	-0.4%
Total	100.0%	100.0%	

Source: N.Z. Tertiary Education Commission and author's calculations

For the next PBRF in 2018, the government will increase the proportion of funding allocated to the external research income component from 15% to 20% and reduce the weighting of the quality evaluation component from 60% to 55%. The change is intended to give more weight to external perspectives.

### *Evaluations and observations*

Over the past half-century, New Zealand's model has moved away from academically dominated governance towards a model based on market competition and bureaucratic coordination and guidance.

The University Grants Council in New Zealand was modeled on its UK counterpart, but by the end of its existence it was receiving poor reviews. Its professional staff (11 in number as of 1981) was seen as too few to undertake any significant system planning. It relied on ad hoc committees or on the universities to assess the effectiveness and efficiency of allocations of public funds (Eisemon, 1984, p. 593). When required to allocate a 3% funding reduction in 1982, its response was to do so across the board (with some adjustments for enrolment growth) – the opposite of what its UK counterpart was doing at the same time.

The experience of the 1980s and 1990s provided a shock to this system, with all higher education institutions (public and private) competing for funding and students. This model took away the universities' oligopoly, but ultimately the government was not satisfied that rampant competition among the tertiary education institutions was preparing New Zealand for a changing economy.

The Tertiary Education Commission has provided a way for the government to steer the system while insulating it from decisions about allocations to individual institutions. The PBRF has been generally successful in allocating research support to institutions in an evidence-based way, giving all institutions an opportunity to compete if they have faculty or departments they wish to put forward.

The TEC's evaluation of the data concludes that the PBRF has raised the overall quality of research over time:

The measured research quality of the [tertiary education] sector has increased over time: the new average quality score (AQS(N)) result in 2012 is 4.66 compared to 4.40 in 2006 and 4.30 in 2003....

The AQS(N) results at subject-area level shows significant variations in the relative performance of the 42 subject areas, but a general trend toward higher scores overall. The relative performance of subject areas is broadly reflective of the differences between long-established subject areas with well-developed research cultures which achieve much higher quality scores than less established subject areas. Fourteen subject areas achieved quality scores over 5.00 in 2012, compared to seven subject areas in 2006 and three subject areas in 2003. The 2012 results show that only three subjects have an AQS(N) less than 4.00. In 2003, 15 subject areas received an AQS(N) of less than 4.00 while in 2006 this number was reduced to 11.

In comparing the results of the 2012 Quality Evaluation with the earlier assessments of 2006 and 2003, it is evident that the PBRF has provided an impetus for universities and colleges to review their research plans and strategies. These results, together with the annual results of the external research income (ERI) and research degree completions (RDC) performance measures, show there has been an increase in research quality overall in the tertiary system. The incentives provided by the PBRF have underpinned an improvement in the overall research performance of the tertiary education sector, in line with the goals of the government's 2010-2015 Tertiary Education Strategy. (New Zealand Tertiary Education Commission, 2013, pp. 6-7, 14)

A separate evaluation by the Ministry of Education reached similar conclusions, finding that there was a statistically significant increase in the quality of research from 2003 to 2006 and again from 2006 to 2012: "The overall improvement in quality correlates with improvements in the rates of citation of research by New Zealand tertiary education institutions since the PBRF was introduced, suggesting that the increases in the quality measures over the three PBRF Quality Evaluations reflect a true lift in performance" (New Zealand Ministry of Education, 2013a, p. 8).

## United States

Almost every U.S. state has a state-wide board or boards for higher education. The United States presents an interesting case because it is really 50 cases, allowing comparisons among states that are in other respects reasonably closely matched. Intermediary bodies arose between 1905 and the early 1970s as a way of giving states some control over institutions that were dependent on state funding.

Since the 1980s, many U.S. states have been adjusting or replacing their state-wide boards as they attempt to push higher education institutions towards state-defined economic, social and fiscal goals. Patterns in these changes have proved difficult to find, but there is evidence that state higher education systems perform best when they have clearly defined goals with broad political support. Intermediary bodies may serve a role in defining goals and developing political consensus.

### *From institutions to systems: 1905 to early 1970s*

Forty-nine of the 50 states have either an intermediary body – generally known in the U.S. as a ‘coordinating board’ – or a state-wide governing board (or boards) for higher education.<sup>3</sup> The first of these was created in Florida (1905), and by the early 1970s almost all states had entered this field. The general pattern was that universities agreed to cede some of their autonomy to a state-sponsored board in return for state funding. An additional impetus was federal legislation enacted in 1972 that required each state receiving federal funding to have a mechanism to facilitate long-term planning (McLendon, 2003, pp. 60-67).

These bodies were established to provide a form of governance or coordination for higher education that was separate from normal government departments.

Normally instrumentalities of state governments were required to operate under fairly tight fiscal controls in order to ensure that their activities and expenditures were in strict conformity with their established legal base. When the states began to found public universities, however, they turned not to their normal models of public accountability but rather to the private sector precedents wherein charters had been granted to legal entities known as boards of trustees (or some variation of this term) who thereby gained the power to govern the institutions largely free of state public sector controls. Of course, the exact powers granted to the public institutions varied somewhat from state to state, and as time passed and more colleges were established, they varied even within a state from one type of institution to another. (Berdahl, 1980, p. 9)

About half of the states have a statewide coordinating board, which may be either regulatory or advisory in nature. Almost all other states have state-wide governing boards for higher education.

As the name implies, coordinating boards do not actually govern or manage higher education institutions. Coordinating board members, and in some cases the chief executive, are typically appointed by the governor. Typical areas of responsibility include planning, policy leadership, policy analysis, mission definition, academic program review, budgetary processes, student financial assistance, accountability systems and authorizing new institutions.

The formal powers of coordinating boards differ from state to state. A detailed review of coordinating board powers in 2004 found that:

- Twenty-four states were coordinating board states.
- Twenty-two of the 24 state coordinating boards had regulatory authority with respect to approving academic programs.
- Fifteen of these boards have significant budgetary authority, six have limited budget authority and one has no role in the budgetary process.
- Two states had advisory boards with no program approval authority and only authority to review and recommend budgets. (McGuinness, 2004, p. 17)

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<sup>3</sup> The exception is Michigan, where the state constitution has since 1850 given universities autonomous self-governance. In practice university administrations have a direct relationship with the governor’s office and the state legislature (McLendon, 2003, p. 60).



The statutory or formal powers of a coordinating board are only partially indicative of its actual role in a higher education system. Paul Lingenfelter, a long-time participant in U.S. higher education, has observed that, “as a practical matter, U.S. coordinating boards vary considerably in influence and power” (Lingenfelter, 2006, p. 2).

States that do not have coordinating boards almost always have state-wide governing boards. For example, California has three statewide governing boards, for the University of California, the California State University and the California Community Colleges. Governing boards have much different responsibilities, including:

- appointing and evaluating system and institution officials, such as chief executives
- allocating and reallocating resources among institutions
- setting tuition and fee policies or establishing policies by which tuition and fees are set
- authorizing or terminating academic programs
- appointing faculty and setting faculty personnel policy
- implementing accountability systems
- advocating the interests of institutions before state government
- carrying out coordinating responsibilities in addition to responsibilities for governing institutions. (McLendon, 2003, p. 71)

Aims McGuiness (2004, p. 13) has calculated that 65% of the students in American public postsecondary education attend institutions whose governing boards cover multiple campuses. “Some state governing boards have a very strong chief executive with operating responsibilities, while others use the board’s chief executive and staff more like a secretariat, deferring to campus leaders for advice and leadership for most policy and operational decisions” (Lingenfelter, 2006, p. 2). Some states with state-wide governing boards also have a statewide coordinating board for certain activities that affect both public and private institutions, such as student assistance.

### *Volatility and the search for accountability: 1980s to 2000s*

State governments have frequently chosen to change the structure or powers of their higher education boards. Michael K. McLendon, James C. Hearn and Russ Deaton (2006, pp. 1-2) found that 22 states enacted legislation to change state governance between 1985 and 2000. More recently, Matthew Smith and Mary Fulton (2013, pp. 1-4) have reported that five states transformed their governance processes between 2011 and 2013: Oregon and Connecticut created new boards, Rhode Island and Washington changed board responsibilities, and California disbanded its planning advisory board, the Postsecondary Education Commission.

There are several hypotheses about why state structures are so volatile. Some of the literature attributes these changes to changes in the higher education sector – such as higher enrolments and the greater importance of higher education in government’s economic strategies – and also to governments’ doubts about the ability of existing structures to meet these challenges. Another explanation is that changes outside the sector, notably recessions and budgetary pressures, are factors leading to change.

A third explanation is that the increased volatility in state politics – with more frequent changes in partisan control of governors’ offices and legislatures – has produced political actors who are more eager to put a fresh stamp on governance processes. Aims McGuinness (1997, p. 34) has argued that the strengths of a commission – to shape higher education structures for the long term, and to remind each new generation of political actors about why the structure was formed – are at odds with a highly partisan system that rewards short-term change.

McClendon undertook a comparative study of the 50 states to determine if changes in higher education governance are statistically linked to higher education factors or to exogenous political factors. His findings confirmed the importance of political volatility as a source of change: changes in higher education governance were statistically linked to changes in partisan control of the legislature and changes in governor. State demography, conditions within higher education systems and the potential diffusion of trends from other states did not yield similar linkages (McLendon, 2006, p. 664).

The effect of the changes in higher education governance has been to increase the role of markets and also to increase central direction and guidance. McLendon (2003, pp. 81-83) observed several forms of deregulation and marketization in the 1980s and 1990s. Some states (Colorado, Connecticut, Idaho, Maryland, Massachusetts, New Jersey, Washington and Wisconsin) gave university administrators more flexibility over select areas of institutional management, including tuition, budgeting, personnel, purchasing and revenues, from the state level to the system or campus level, while leaving existing coordinating and governing structures intact. Several states (Hawaii, Maryland, Oregon) gave new legal status to some or all of their institutions, making it clear that the institutions were not expected to follow management regulations that apply to state departments. Some large states (Illinois, Florida) moved away from central governance boards in favour of separate boards for each campus. Some states (New Jersey, Arkansas) weakened the powers of their coordinating boards.

During this same period, political actors were becoming more demanding of higher education and were putting in place processes to strengthen central control. Some governors and legislators became aggressive advocates of quality and performance in higher education, with a greater emphasis on outputs rather than inputs and activities. New policy tools were introduced in some states, including performance funding, assessment of undergraduate learning and accountability reporting. These new roles led to new structures, and in some cases the effect was to further empower state agencies (McLendon, 2003, p. 81).

### *Evaluations and observations*

There have been many attempts to assess the effectiveness of different governance and coordination arrangements by comparing results from multiple states. Before summarizing some of this literature, we should note some of its limitations:

- To the extent that these studies rely on statistical analysis, they are of course limited by the available statistics. Statistics in higher education often record inputs (such as funding levels) rather than outputs (such as increases in student learning). In some cases the authors have assigned quantitative values to concepts that are not easily quantified (such as type of governance, or degree of decentralization).

- Comparative statistical analyses usually do not track how systems evolve over time due to limitations in the available data and other factors.
- The literature from the US may take for granted some aspects of differentiation that are common in the US but not elsewhere. For example, almost every U.S. state formally recognizes more than one type of university (based on the extent of research and graduate studies). Almost every U.S. state has a college system that is designed in part to prepare students to transfer to university.

The most exhaustive review of the literature on the effects of intermediary bodies was carried by Michael McLendon, who concluded that comparative studies had not been successful in showing the effects of intermediary bodies in the US:

Despite initial progress in testing varied approaches to the effects question, an insufficient number of empirical studies exist to make a determination about the extent to which different regulatory relationships may be associated with particular campus- or state-level outcomes. Studies focusing at the state level of analysis present a muddled array of findings that suggest no clear pattern; governance arrangements seem to “matter”, but different arrangements have been linked to different outcomes for different policies. (McLendon, 2003, p. 95)

In the period since McLendon’s review, two studies have analyzed state performance on the “Measuring Up” report cards prepared by the U.S. National Center for Public Policy and Higher Education and funded by the Gates Foundation and the Lumina Foundation for Education. These report cards are unusual in that they attempt to measure outputs and outcomes rather than inputs. The two studies use different methodologies and reach different conclusions.

The first of these two studies – a comparative statistical study by J. Fredericks Volkwein and David A. Tandberg – examined differences in state performance in the context of a variety of environmental factors. They found that the differences among the states were most closely associated with factors that states could not change.

The things that states have little control over (their demographic and economic characteristics) are many times more influential in determining the *Measuring Up* grades than the things that they have relatively more control over (their governance, accountability, and regulatory arrangements). (Volkwein & Tandberg, 2008, p. 191)

The second study – a qualitative study by Joni E. Finney, Laura W. Perna and Patrick M. Callan – examined the relationship between state performance and public policy. They examined policies and statutes related to higher education finance, accountability, structure and governance, augmented by interviews with political, business and higher education leaders. The study compared five states: Georgia, Illinois, Maryland, Texas and Washington.

Finney et al. conclude that state performance is most closely tied to whether a state has clear goals for which there is sustained political support. An intermediary body is not essential for strong performance, but it may support performance by helping a jurisdiction to clarify goals and by maintaining political support for goals over time.

States may have promising programs and initiatives to improve degree attainment but still lack political support for future stewardship. Historically strong relationships between state leaders and higher education leaders, such as in Illinois and Washington, have unraveled due to political indifference and economic crises. In Georgia, state leaders, as well as some institutional leaders, have failed to come to grips with the reality that its future success is linked to opportunities for African Americans and Latinos. Texas, while making progress in establishing political consensus for state goals, must understand the limitations in public finance and address the need to improve educational attainment. Of the five states we examined, Maryland has come the closest to developing a public agenda for higher education, as reflected in its comprehensive finance plan. (Finney, Perna & Callan, 2014, p. 9)

These findings build on those of an earlier study of which Finney and Callan were a part. In a study of seven states based primarily on qualitative data such as interviews, they and their co-authors Frank M., Bowen, Kathy Reeves Bracco, Richard C. Richardson, Jr. and William Trombley found that one of the primary benefits of state-level coordinating structures is to facilitate capacity to identifying and responding to new environmental factors:

Our research suggests that differences in governance structures do influence the performance of higher education systems. We found one of the most important questions to be whether the system exhibits the capacity to recognize and respond in some organized and efficient way to state needs and contextual changes. Federal and unified systems have the capacity to identify priorities, to shape institutional responses through all four of the work processes [information management, program planning, budgeting, and articulation] and to use information to communicate progress. Confederated systems and confederated institutions lack mechanisms for using several or all of these strategies, unless they exist in the legislative arena. (Bowen et al., 1997, p. v)

Bowen et al. also found value in the fact that intermediary boards are neither part of the state government nor part of the higher education institutions:

Coordinating boards that are not simply higher education or state government – that is, part of both higher education and state government – do a better job of balancing the public interest against professional values and institutional concerns than do subsystem or institutional governing boards that spend much of their time competing with other subsystems or protecting the institutions they govern from the influence of state government. (Bowen et al., 1997, p. 44)

## Ontario's Experience with Intermediary Bodies

At various times every Canadian province has had one or more coordinating or regulatory bodies for higher education. Intermediary bodies continue to exist in Newfoundland and Labrador, Quebec and Nova Scotia. A regional intermediary body, the Maritime Provinces Higher Education Commission, provides advice to Nova Scotia, New Brunswick and Prince Edward Island (Jones, 2014, p. 12).

The four western provinces each had an intermediary body for universities, and each has abolished it. Since doing so, Alberta and British Columbia have each directly established differentiated types of higher

education institutions. Manitoba abolished its intermediary body in 2014 in favour of a new advanced education advisory committee.

At one time Ontario had two intermediary bodies: the Ontario Council on University Affairs and the Council of Regents for the Colleges of Applied Arts and Technology of Ontario. I review here the functions and history of each, as well as assessments of their effectiveness in promoting quality, sustainability and other government goals.

## **The Ontario Council on University Affairs and its Predecessors: 1950s to 1996**

### ***Beginnings of an intermediary body: 1950s to 1974***

During the immediate postwar years, universities made direct funding requests to the Premier each year, and decisions were handled by the Premier. There was no apparent involvement of the Department of Education (and no department for higher education existed until the creation of the Department of University Affairs in 1964).

In the early 1950s, Premier Leslie Frost appointed R. C. Wallace, the former principal of Queen’s University, as his advisor on university matters, with a mandate to bring order to funding requests and to begin the task of planning for future expansion. Following Wallace’s death in 1956, responsibility for planning the funding of university growth was assigned to the chief director of education and subsequently to the Attorney General (who was a former Minister of Education) (Fleming, 1971, pp. iv, 22; Axelrod, 1982, pp. 84-88).

The arrangements for gathering data and providing advice to government on university expansion and funding were formalized in 1958 with the creation of a committee of senior civil servants – the University Committee – from the departments of education, finance and economics. For the first time, data were gathered from each university on such matters as enrolments, programs and faculty for the purpose of “mak[ing] it possible to arrive at a more equitable basis for the distribution of grants than had hitherto been possible” (Ontario Minister of University Affairs, 1967, p. 8).

In 1961 the University Committee was expanded to include members from outside government and was renamed the Advisory Committee on University Affairs. The membership of this group included the newly appointed chief justice of Ontario (continuing the role he had played as Attorney General) as chair, two business executives, a federal senator, the deputy minister of economics and the minister of education, with staff support from the department of education.

The absence of clear roles in this process was noted even by the committee members themselves. The committee reacted to spending proposals from universities but had neither the mandate nor the technical resources to prepare its own proposals for government action. For their part, the university presidents were uncomfortable that their budget requests rested with individuals who had no direct experience in university administration. A committee of university officials who prepared the plan for the great expansion of Ontario universities in the 1960s remarked on the oddity that the government had no capacity to prepare such a plan itself (Presidents of the Universities of Ontario, 1962, p. 23).

When the Department of University Affairs was created in 1964, the advisory committee – renamed the Committee on University Affairs – was formally established by order-in-council with 11 members, five of whom were from the academic community, and with the deputy minister as secretary (Ontario Minister of University Affairs, 1967, pp. 9-11). The university presidents were nevertheless skittish about the CUA's role and longed for a body like the British UGC, controlled by academics, with executive powers that would protect universities from direct government intervention (Monahan, 1998, p. 349).

### *Formal advice: 1974-1996*

By the early 1970s, the government department for universities had matured and become the Ministry of Colleges and Universities. University enrolments had levelled off and the government began a long period of fiscal restraint that reduced real per-student funding to the universities from grants and tuition by about 20% (Clark, Moran, Skolnik and Trick, 2009, pp. 81-82). The government undertook to formalize its advisory body. It attempted to establish it in legislation and, when this effort was derailed due to university presidents' concerns about proposed information-gathering authority, it established it in 1974 by order-in-council. The new body, the Ontario Council on University Affairs (OCUA), continued until the government abolished it in 1996.

The OCUA had a full-time chair and 19 part-time members, all appointed by order-in-council. Initially 50% of the members were academics, but after 1989 a slight majority were appointed from the community at large. The founding chair, Stefan Dupré, formalized the advisory role by adopting the practice of publishing the Council's advice and reasons, along with the minister's response to the advice. The Council had a full-time research staff of three (expanded to six after 1989) (Graham, 1989, p. 19).

The order-in-council authorized the OCUA simply to make recommendations about university matters and about any matter referred to it by the minister. The Council had no specific powers or duties.

The Council's advice on a number of issues was accepted regularly by the government and was generally seen as fair by the universities. For example:

- The Council recommended how to allocate the operating grant each year, using the funding formula that the government has approved.
- It provided advice on how to allocate special-purpose funding envelopes that the government created from time to time.
- It provided advice on whether to approve new undergraduate and professional programs that universities proposed, and it oversaw the work of its Academic Advisory Committee, established in 1982 to perform a similar role for graduate programs.
- It provided advice on specific references from the minister – for example, research overheads, inter-institutional equity issues, funding for co-op education, and how to deal with institutions that found themselves in financial trouble.
- In 1986 it provided advice on how to introduce a corridor feature in the university funding formula, as was recommended by the (Bovey) Commission on the Future Development of the Universities of Ontario. The government accepted this advice and charged OCUA with negotiating each university's corridor.

- In 1989-90, OCUA successfully negotiated among universities to allocate additional seats that the government had agreed to fund, including seats in fields of study that the government deemed to be priorities. (Graham, 1989, pp. 19-20; Royce, 1998, p. 299)

Other OCUA advice was more contentious. OCUA advised the government each year about how much funding the universities would require to deliver the government's objectives for higher education. After 1978, the government routinely rejected this advice. This caused the universities to see OCUA as ineffective and as a tool of government when it made recommendations on how to make the system more cost-effective. Among OCUA's recommendations in this area:

- In 1976, it recommended that new undergraduate enrolment growth be funded at half of the normal per-student rate. In 1978 it recommended a freeze on new graduate programs. Both recommendations were accepted by the government, with implications that were contested by the universities for more than twenty years. (Monahan, 1998, p. 355)
- In 1980, it recommended legislation that would allow the government to place in trusteeship any university whose operating deficit exceeded 2% of revenue. The legislation was roundly opposed by the university presidents, and the two opposition parties combined to block it in a minority legislature. (Monahan, 1998, p. 358)
- It published two papers in 1979 and 1980 declaring that, owing to shortfalls in revenue, the Ontario university system stood at the "brink of serious trouble" and faced a future of "precipitous decline and turbulence." It urged the need for greater differentiation among universities particularly in regard to mix of programs offered and the elimination of "undesirable duplication" of programs. This advice led the government to appoint a committee composed of representatives of the institutions, OCUA and the government, which recommended that either the government provide the substantially higher level of funding that was deemed necessary for adequate maintenance of the current structure of the university system, or that the system be restructured in such a way as to make it less costly (Skolnik, 2013; Committee on the Future Role, 1981).
- In 1989, it held hearings on the question of whether private universities should be allowed and empowered to grant degrees. Neither the government nor the universities wanted to deal with this issue, and the government did not respond to OCUA's advice until 1995.

The OCUA's most controversial project began in 1993, when the minister asked it to examine how universities allocate their resources, including issues in achieving an appropriate balance among teaching, research and community service. The following year OCUA released a discussion paper with three funding options, one of which would have seen the government allocate funds separately for teaching, research and community service, based on the government's view of how much of each of these it wished to purchase from each university, and at what price. In the view of the universities, the Resource Allocation Review was premised on the unproven claim that universities had failed to use public resources to meet the public's objectives for the university system. Michael Skolnik observed that the distinctive feature of the OCUA's third option was that it would have created a direct role for government in setting university priorities in the face of reduced per-student funding:



The OCUA discussion paper was unique in saying that ‘efficiency’ alone was not the way to increase enrollments [by a projected] 19 per cent with no more money. ‘Less research’ was the answer. (Skolnik, 1995, p. 9)

The denouement of the Resource Allocation Review came in 1995 under the Progressive Conservative government, which received the OCUA’s advice at the time it took office and immediately released it for further comment. The university presidents, faculty associations and Canadian Federation of Students all opposed the apparent intrusion on university autonomy. Rather than proceed with the OCUA’s advice, the government chose to implement an across-the-board 15% reduction in grants and 20% tuition increase the following year.

## **The Council of Regents: 1965 to 2002**

### *Beginnings: 1965 to early 1970s*

The Ontario government had an intermediary body for the Colleges of Applied Arts and Technology, known as the Council of Regents, from the time of the colleges’ founding until 2002. Contrary to its name, the Council of Regents did not have executive authority over the colleges. It performed three major roles:

- It appointed the government appointees to the Board of Governors for each college.
- It set standard salary scales and terms of employment for college employees, up to and including the college presidents, and it oversaw centralized collective bargaining for college full-time faculty and support staff after these groups were unionized in the early 1970s.
- It provided advice on various matters as requested by the minister.

The decision to establish a Council of Regents in 1965 reflected the unusual circumstances of the colleges’ creation: 19 colleges were to be established in less than three years. The Council was seen as a useful device for imposing some standard procedures and resolving potential conflicts among the colleges. It reviewed and provided recommendations to the minister with respect to proposals from colleges about campus locations, capital construction, operating budgets and academic programs.

The Council was composed of 15 members, drawn from industry, universities, labour unions and other backgrounds. Its first chair, Howard H. Kerr, who had been the founding president of Ryerson Institute of Technology, was appointed in 1966.

### *Intermittent policy roles: 1970s to 2002*

By 1971 the Council’s role began to shift as the government started to implement funding constraints. Real per-student funding to the colleges from grants and tuition was reduced by about one-third by 1982 (Clark, Moran, Skolnik & Trick, 2009, pp. 81-82). In 1984 the Council represented the employer during negotiations leading to the colleges’ first faculty strike, which lasted three and one-half weeks.

The shift from managing growth to managing constraints raised questions about the Council’s role. In 1981, the Minister of Colleges and Universities, Bette M. Stephenson, asked the Council’s chair, N. E. Williams, to



lead a multi-stakeholder task force on college enrolment declines. The Task Force recommended ways of reducing unproductive competition among the colleges. It suggested that the Council of Regents revise program approval procedures and policies to provide for program rationalization, program closures, and ongoing program reviews to ensure relevance. It also suggested that the Council or Regents could lead inter-college cooperation in areas such as curriculum development and administrative support systems (Cameron & Royce 1996).

In 1985, the Minister of Colleges and Universities, Greg Sorbara, appointed Walter Pitman (another former president of Ryerson) to provide advice on the governance structure of the Ontario CAATs. Pitman recommended eliminating the Council of Regents, arguing that it had too many diverse responsibilities. He proposed the establishment of an Advisory Council on Colleges that would not have a role in collective bargaining.

This aspect of Pitman's advice was not accepted, but the government recognized that the Council's role was problematic. The government soon transferred greater responsibility for program approvals and other regulatory matters to the ministry and refocused the Council's role toward identifying strategic issues in the colleges (Pitman, 1986, p. 29; Cameron & Royce, 1996; Drea, 2003, pp. 193-194).

Building on this new direction, in 1988, a new minister, Lyn McLeod, asked the Chair of Council of Regents, Charles Pascal, to lead a system-wide review and develop a vision for colleges in the new century. Pascal designed an ambitious consultative process that involved hundreds of people from inside and outside the colleges, leading to the Vision 2000 report (Vision 2000 Task Force, 1990). The report's vision of a highly accessible college system that offered consistent program standards, recognized prior learning and had pathways for students to proceed to university as well as to employment has guided many aspects of government policy-making for almost a quarter-century.

The excitement of long-term planning was soon replaced by the prosaic tasks of implementation. The ministry did not assign to the Council the task of carrying out any of the report's implementation or follow-up, and so the Council's advisory role returned to its normal tasks.

In 2002, the government effectively eliminated the Council's role with respect to policy and planning advice. The Council was re-named the College Compensation and Appointments Council. Responsibility for compensation for presidents and senior administrators was handed over to each college's board. In 2010, the government accepted the argument that colleges had developed the capacity to make their own board appointments, so this function was removed from the Council (although the government still appoints one-third of each college's board). The current powers of the Council are to be an employer bargaining agent on behalf of the colleges, and these are reflected in the current name, College Employer Council. The Council is now governed entirely by the colleges' boards and presidents.

### **Ad hoc advice: 1996 to present**

Since the abolition of OCUA in 1996, governments have used a number of means of seeking external advice about higher education. They have continued the long-standing practice of appointing short-term advisory

committees and some of these have been highly successful (Clark & Trick, 2006). One of these short-term reviews, led by the Honourable Bob Rae, recommended a new permanent advisory body:

Establish a Council on Higher Education, reporting to the Minister of Training, Colleges and Universities, to: advise government on how to achieve its learning mission, set targets and measures for improvement, monitor and report on performance and outcomes, co-ordinate research on higher education, and encourage best practices. (Rae, 2005, p. 30)<sup>4</sup>

This recommendation led to the creation of the Higher Education Quality Council of Ontario in 2006. HEQCO provides advice and policy-relevant research on a wide range of postsecondary issues. HEQCO's mandate differs from that of OCUA and the Council or Regents, encompassing all types of higher education. Governments have also created or supported the creation of several special-purpose bodies whose role is at least partly advisory.

- The Postsecondary Education Quality Assessment Board (created in 2001) advises the minister on applications for degree-granting authority from colleges and from universities that do not have statutory authority to grant degrees (mostly private or out-of-province universities).
- The Ontario Council on Articulation and Transfer (originally the College-University Consortium Council, 1996) is a source of policy-relevant research about transfer and pathways between institutions. ONCAT is a consortium of the 44 universities and colleges.
- The Ontario Universities Council on Quality Assurance and the Ontario College Quality Assurance Service provide assessments of program quality that MTCU uses for certain purposes. Both are self-regulatory bodies of their respective sectors.

## Evaluations and observations

### *Ontario Council on University Affairs*

The only formal evaluation of the OCUA took place in 1988, when the minister asked John O. Stubbs, the president of Trent University, to assess the Council's future role and functions. According to the report, stakeholders generally agreed that Ontario needed an advisory body, but they had many different views on what its role should be. Some thought the Council's primary function should be (or was supposed to be) to provide government with advice on broader issues affecting the higher education system. Some noted favourably that OCUA had functioned as a buffer between the government and the universities in the 1970s, and they were less happy that in the 1980s OCUA had become a regulator that carried out the government's policies. There was wide agreement that OCUA needed more staff, and the minister accepted that recommendation (Report of the External Advisor to the Minister of Colleges and Universities on the Future Role and Function of the Ontario Council on University Affairs and Its Academic Advisory Committee, 1988; Monahan, 1998, p. 360).

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<sup>4</sup> The Rae Review received at least two proposals to establish a body similar to OCUA. See DesRosiers (2004) and Ontario Confederation of University Faculty Associations (2004).

An indirect vote of confidence can be seen in the significant role proposed for OCUA in the report of the Bovey Commission in 1984. The Bovey Commission rejected the option of forcing universities into differentiated roles because “dictated differentiation is likely to involve the development of a costly layer of centralized bureaucracy with an attendant stifling impact on initiative and vitality” (Commission on the Future Development of the Universities of Ontario, 1984, p. 15). It recommended instead that a body similar to OCUA establish guidelines for differentiation and that government provide financial incentives to support their implementation.

Stakeholders from the 1970s and 1980s often recall favourably the careful attention to due process that characterized OCUA’s work. From the beginning, OCUA established formal procedures for accepting references from the government, holding hearings and receiving briefs from universities. It adopted the practice of publishing its research and its advice to government, along with the government responses (Monahan, 1998, p. 354). It held public hearings with each university annually to gather a sense of universities’ priorities and discuss how they related to OCUA’s work. The Council’s staff was generally professionals who held graduate degrees in higher education administration and were well-informed about higher education policy in Ontario and other jurisdictions. The Council’s annual reports included a compendium of literature reviews and analytics that informed the Council’s advice.

The most negative evaluations of OCUA came from stakeholders who hoped that the Council would buffer the universities from government policy. COU’s submission to the Bovey Commission acknowledged in principle that OCUA might be given authority to involve itself in institutional planning “when an identified provincial interest is not adequately served by the summation of institutional plans”; but when OCUA initiated hearings in 1987 and 1988 on how it might play a greater role in system planning and coordination, the universities declined to discuss a larger role for OCUA (Royce, 1998, pp. 185-188). Both COU and the Canadian Association of University Teachers told OCUA in 1994 that they were disappointed that the Council had not disassociated itself from the government’s cost-cutting agenda.

The government abolished OCUA in 1996, as part of a government-wide review that eliminated 20 agencies, boards and commissions that were seen as unnecessarily doing work that should be done by government departments or elected leaders. The review appeared to have no special animus against OCUA; rather, it was the common view among government MPPs at the time that the responsibility for providing policy advice belonged to elected leaders rather than external bodies. The universities debated among themselves for a year whether to seek reconsideration of this decision. In the end, they made no formal objection.

### *Ontario Council of Regents*

Walter Pitman’s report was the only formal review of the Council or Regents. As we have seen, Pitman concluded that the Council had too many roles. He nevertheless saw the value of an independent board to advise the ministry on long-term system planning.

Academic studies express conflicting views about the Council's effectiveness, although none go into detail.

- As early as 1971, W. G. Fleming, the first assistant director of the Ontario Institute of Studies in Education, expressed concern that the Council was relatively weak compared with the Applied Arts and Technology Branch of the Department of Education and the individual college boards of governors. The Council lacked the staff or research capability to undertake system-wide planning that might provide a guide in assessing plans from each college (Fleming, 1971, pp. iv, 526-528).
- John D. Dennison and Paul Gallagher, authors of the most comprehensive history of Canada's colleges, found in 1986 that "the role of the Council as a quasi-independent agency has become generally regarded as effective, even though the final, formal authority on all policy matters rests with the minister" (Dennison & Gallagher 1986, p. 99).

The government's assessment of the Council can be seen in its ambivalence towards the Council after the college's initial period of growth came to an end. From time to time the government sought the Council's advice and *Vision 2000* showed that the Council was capable of providing influential recommendations. But the Council had few resources for providing strategic advice and its micromanagement of proposals from the colleges overlapped with the ministry's role. The college presidents were among the strongest advocates for reducing the Council's mandate to its current role in collective bargaining.

## Discussion: What is an intermediary body useful for?

The experience of other jurisdictions suggests several lessons on how intermediary bodies can be helpful to governments in pursuing quality and sustainability, especially in times of constraint. I identify some of those lessons here and I suggest some implications for how an intermediary body could help the Ontario government in current circumstances.

### Intermediary bodies are no longer buffer bodies

The general direction of government policy on higher education – in Ontario and all of the jurisdictions examined in this paper – is toward more government control and more policies that promote competition among higher education institutions. Governments have adapted their intermediary bodies to support this new direction.

Bodies that in effect gave academics the responsibility to regulate their own sector have generally been killed off, as in the UK and New Zealand, and replaced with bodies whose goals and objectives are more squarely aligned with the government. (This is only partly true of Israel.)

This development is not surprising when we consider the general trend to greater accountability for results – generally known as New Public Management – that has characterized many governments' policies towards health, K-12 education and many other public services since about 1980. The notion that higher education is exceptional and so requires a hands-off form of governance has fewer advocates than it once did.

### **An intermediary body is not a substitute for a government ministry**

At one time intermediary bodies were used in lieu of a government ministry. This was true briefly in Ontario and for much longer periods in the UK, Israel, New Zealand and many U.S. states: rather than having self-standing ministries of higher education, they relied on a handful of non-specialized staff in the finance or education ministries to receive and comment on their intermediary body's advice from time to time.

These arrangements have all been changed. Governments are giving firmer direction to higher education systems and are demanding more information about the results being achieved. Political actors see higher education as an integral part of their plans for economic development, commercial innovation and (in some cases) social integration. All of the jurisdictions we have examined now have specialized staff, either in a self-standing ministry or within a department of education, who support the government in developing policies for steering the direction of the higher education system.

### **An intermediary body can be useful in helping a government achieve its objectives for quality and sustainability in higher education**

The UK, Israel and New Zealand have all moved to systems of higher education that reflect government goals for accessibility, educational quality, research excellence and financial sustainability. The intermediary bodies did not set these goals, but they have been instrumental in achieving them. In the United States, the research I have presented shows that intermediary bodies have been found to be helpful in:

- shaping objectives
- building long-term political support for the objectives
- carrying out the objectives

Depending on the jurisdiction, some of the relative strengths of intermediary bodies relative to government departments may be:

- greater availability of executive time to deal with multiple stakeholders
- specialized staff with advanced training in higher education policy
- a longer time perspective, both past and future, and a capacity to pursue a policy direction continuously over time
- a capacity to make judgments based on qualitative and non-standardized information that cannot be reduced to formulae – for example, judgments about academic quality and institutional mission
- arm's-length distance from government administrative and decision-making processes that tend to reduce time on task
- insulation from the pressures of constituency-based politics
- a capacity to insulate government from controversial decisions.

## How an intermediary body could support the Ontario government's goals for quality and sustainability

These findings from the experience of other jurisdictions suggest some ways in which an intermediary body could be helpful to the Ontario government as it seeks to pursue quality and sustainability through its differentiation policy framework.

The Ontario government successfully completed Strategic Mandate Agreements with each university and college in early 2014. This process was remarkable for its absence of public drama and contention.

The hard part will be to maintain momentum for this process. Some particular challenges:

- Negotiating one-on-one agreements with 45 institutions required significant executive time. For the first round, the ministry was represented by two special advisers at the deputy minister level. This was a successful temporary solution, but a permanent solution needs to be found.
- The next several years will be a period of constraint. Financial issues that were broached gently in the first round will need to be addressed more squarely. Financial constraint is not pleasant, but it can be made more amenable through careful and deliberate consultation that attempts to reconcile government objectives with institutional aspirations where possible and that avoids unintended negative impacts on individual institutions.
- Universities and colleges have long institutional memories on which they draw, sometimes selectively, in their dialogues with government. It may be to the government's advantage to be represented by a body of individuals who collectively have a long-term perspective on what universities and colleges have done and how they should be expected to develop in future.
- In some cases the government's goal of reducing unnecessary duplication could best be achieved through cooperation among two or more institutions – an outcome not easily achieved through bilateral SMA negotiations. An intermediary body may be useful in identifying situations where two or more institutions could cooperate to maintain access and quality while reducing unnecessary duplication and it could provide incentives for them to do so. We noted above Tahar and Boutellier's warning against destructive competition. The HEQCO expert panel found that the greatest productivity improvements and cost efficiencies in higher education will come from collaboration and system re-design, not from individual institutions (HEQCO, 2013, pp. 3, 9-10).

An intermediary body may be a useful device for pursuing and eventually renewing the current Strategic Mandate Agreements. An intermediary body would have two advantages that are especially important: an ability to devote sustained attention to implementing policies over a long period of time, and an ability to apply judgment to particular cases in a way that is generally seen as fair.

The ability to apply judgment appears to be a strength of intermediary bodies: they provide a mechanism for applying government policy to situations that do not lend themselves to mechanical or formula-based solutions. The cases we have reviewed in this paper all show examples of intermediary bodies making judgments in ways that were broadly acceptable to the stakeholder community.

The existence of an intermediary body with respect to Strategic Mandate Agreements may be helpful in sustaining the government's goals for quality and sustainability with respect to a number of policy allocation issues that will arise.

### *Allocation of funding for research*

The largest opportunity for achieving better value for money in higher education lies in improving the accountability for research funds. At present, MTCU provides over \$1 billion annually to universities to support research, primarily by funding the time that faculty spend engaged in research.<sup>5</sup> This money is provided as part of the general operating grant (and has been since 1967), and so there is effectively no accountability for the results achieved and no opportunity for the government to allocate funds in a more strategic way. Smaller research grants are provided by the Ministry of Economic Development, Employment and Infrastructure and other ministries. In practice, Ontario's university research policy is determined by the Government of Canada (which since 1998 has required each university to have a strategic research plan) or by the universities themselves.

England, Israel and New Zealand have adopted performance-based approaches to funding research, with intermediary bodies at the heart of the implementation process.<sup>6</sup> This policy move is not for the faint of heart, but it provides a prime opportunity to align government expenditures with goals for high-quality research that has impact outside the academy. If the government chooses to move in this direction, an intermediary body may be essential for successful implementation.

### *Allocation of seats in graduate programs*

MTCU has laudably begun to allocate new seats in master's and doctoral programs in ways that are not pro rata. An intermediary body would be well-positioned to solidify this policy, making allocative decisions based on the government's quality and sustainability goals and evidence about institutional performance.

### *Approval of new programs*

The SMAs make a first attempt to identify areas of program specialization and growth at each institution. There is much to be done to solidify this aspect of the government's differentiation policy.

The current ministry-driven process for program approvals provides a solid bulwark against unnecessary expansion in programs that are expensive to offer (e.g., master's and doctoral programs, medicine) or that carry high research costs (e.g., medicine, engineering) or where there is demonstrable labour over-supply (e.g., education).

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<sup>5</sup> The most careful analysis of this issue found that, in 1992-93, between \$700 million and \$1 billion of the government's operating grant to universities was used to support research. The total operating grant to universities that year was \$2 billion; in 2014-15 it is \$3.5 billion. See OCUA, 1995, p. 186.

<sup>6</sup> The US is different: most U.S. states have addressed this issue by designating a small number of research universities and a larger number of teaching-oriented universities. Retrofitting such a solution on the Ontario system would create significant fairness issues, especially for current faculty. See Clark, Moran, Skolnik and Trick, 2009, p. 182.



The current policy risks becoming bogged down in making micro-decisions about relatively inexpensive undergraduate and diploma programs where there is no reliable information about how many programs would be desirable and no effective way of controlling how many students are eventually enrolled in each program. Such micro-decisions may in fact become counterproductive if they prevent universities and colleges from responding to technological changes in the economy and new workforce needs. An intermediary body might be better positioned to align new program approvals with SMA commitments and with the government's goal of avoiding unnecessary duplication.<sup>7</sup>

### *Assessment of current programs*

In a mature higher education system, controls on new programs will affect differentiation only at the margins. Many SMAs make bold statements about current programs – for example, that they will provide students with certain skills and abilities, or that they will achieve certain learning outcomes, or that they will prepare students for certain types of careers, or that they will be taught using certain approaches to teaching. A careful assessment of the extent to which institutions are meeting these claims, carried out by an intermediary body in partnership with the institutions, would provide evidence on student teaching and learning that is currently missing.

### *Degrees offered by CAATs and private universities*

In the jurisdictions examined in this paper, the intermediary bodies all have at least some regard to private providers of higher education. Ontario has a highly elaborated process for assessing and approving applications from private universities and CAATs to grant degrees (through the Postsecondary Education Quality Assessment Board), but this process has no clear linkage to Ontario's differentiation policy. An intermediary body might be well-positioned to work with the ministry to identify what this linkage should be and to ensure that it is reflected in the implementation of SMAs.

## Conclusion

Some of the important actors in higher education in Ontario may find the idea of an intermediary body discomfiting. But a better perspective would be to ask whether creating an intermediary body would be more discomfiting than the status quo.

The relationship between the Ontario government and higher education institutions has proved difficult to change. Since the early 1970s, one side has complained of lack of funding, and the other has complained of lack of accountability. Everyone involved might welcome an opportunity to improve the quality of this conversation and to see it lead to stable and constructive policy outcomes.

With the best of wills, higher education institutions do not change quickly or easily. Yet the nature of

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<sup>7</sup> Elsewhere I have argued that there may be significant opportunities to reduce duplication through structural policies that have little to do with approving academic programs. Such policies include efficient inter-institutional transfer arrangements and acceptance by all institutions of credits earned in provincially funded online courses. There may also be opportunities to address overlaps between postsecondary programs and apprenticeship programs. See Carey and Trick (2013) and Trick (2013, 2014).



government makes sustained policy implementation difficult. In Ontario's highly competitive electoral system, ministerial turnover is a reality of life: MTCU has had seven ministers since 2003. From time to time ambitious and important new policies are developed, but they require five to ten years or more of sustained implementation to have a real impact on the system. The need for senior government managers to respond to emerging issues means that time for implementation of past decisions is scarce.

Universities have in the past made claims to effective self-regulation, but they are not as well positioned as they once were to collectively regulate themselves. Universities are more numerous than they once were. The smaller universities have become larger and naturally expect a larger voice in collective decision-making, so consensus is difficult to achieve. The same may be true of colleges: interests may diverge based on size, geography and institutional aspirations. Both sets of institutions would benefit from sustained and predictable policy implementation that includes careful consultation.

An intermediary body is not the only possible solution to these problems, but it may provide an important device by which strategic policies can be made to work over time. As in other jurisdictions, an intermediary body in Ontario would complement rather than displace the ministry responsible for higher education. Careful assignment of roles should be based on the principle that the intermediary body will do what the ministry is not well positioned to do or prefers not to do. The Ontario government would of course retain its role as the steward of higher education, ensuring that the system is accessible and affordable for students and provides a high quality of education for them. An intermediary body cannot displace a minister and ministry in their roles, but it could support them in developing and carrying out the policies that are needed to achieve high quality and financial sustainability.

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