
Empowerment of the University in the era of Globalization and Market Mechanism in Higher Education

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Abstract

Higher education the world is at present changing. One of the factors contributing is the changing economic situation. A triangle, i.e. the academic community, the state, the market demand, and the interaction between those factors, controls higher education in a country. This pattern of interaction is undergoing a transformation as most countries would like to reform their higher education system through a series of directed and systematic regulation and deregulation. Williams (1995) uses the term "marketization" for those processes.

Competition in the international economy as one of the results in a heavy burden for developing countries. In the New World order human resources is an important if not the most important factor in determining the success of economic and national development. One of the result of global capitalism on higher education is the rise of competition as governments try to raise enrolment in public and private universities. This results in suffer competition should result in improved capacity to compete among universities and as a result there should be a decrease in the costs of higher education and research. Universities do not only have to compete among themselves, but also in developed countries as there is an increase in competition to obtain the best students, the best teachers, and bigger funding for education and research. Universities do not only have to compete among themselves, but also with the industrial and public sectors, for instance to get the best teachers. Different countries have different approaches to this problem. Malaysia e.g. approaches the problem by empowering the universities, i.e. by giving more autonomy through corporatization of the universities.

Characteristics of the higher education market

In economics the market is a place to exchange goods and services. In the perfect market price is the sole determinant. There are no cultural, traditional, or economic factors. In the perfect market there will be an optimal and efficient allocation of goods and services throughout the society. The use of market mechanism in higher education is an effort to improve the efficiency of higher education in times of difficult financial conditions and increasing public demand for higher education. It is also hoped that market mechanism will increase innovation and improve adaptation in higher education.

The higher education market is not a single market, but can be divided into the components, which comprise the different higher education services. The market can be divided into three separate sectors, i.e. the market for education, the market for research, and the market for academic manpower. In theory a perfect competition in those sectors will result greater efficiency in the use of public sector funds and in the overall higher education system. In a perfect competition the price of goods and services fully reflects the value of the product or the benefit obtained by consumer. The characteristics of the different sectors of the higher education market are not similar, resulting in levels of perfectness of competition. In the education sector, often the consumers (student or their parents) do not have a complete information is available and the capability of universities to make an evaluation is also better and granting agencies have also a better capability to evaluate which research proposal is better, all this resulting in a more perfect competition.

In the academic human resources sector, the evaluation puts more emphasis on research capability and output rather than teaching competency. This results that senior staff puts more effort in research rather than teaching. The academic manpower market is also influenced by demands from outside the higher education sector.

Basic policies for developing market mechanisms in higher education

There are several ways a government can start or change the behaviour of the higher education market in country. However the policies adopted should not cause market distortions and thus cause inefficiencies. There three factors influencing the behaviour of higher education market, i.e.: The behaviour of consumers and providers of higher education in determining tuition fees, research policies, community services, and inter-institutional co-operation. This factor is determined by regulations, tuition fees, enrolment, and academic standards, which is done through the curriculum. The amount of the tuition fees is regulated so that public institutions or subsidized private institutions do not set a their tuition fees too high. The difficulties in promulgating policies on tuition fees are in determining the real costs of education for different programs and level of education. The determination of enrolment policies is done by setting the greatest number of students who are to be accepted considering the cost and the labor market. In certain professions the labor market is determined by the professional association. In this case care should be taken to avoid the emergence of a cartel which limits new entries into the profession.

One of the most important factors in market mechanisms is the availability of information. In education the information needed is on quality and the efficiency of the educational process. Quality of education is a difficult process to measure. Usually quality of education is measured by an accreditation board. The market structure which includes the number and capacity of the consumers and providers of education, the difference between the programs, the presence or absence of barriers to entrance for new providers of education, and the availability of alternative products. Factors which determine the market structure are:

Tuition fees: In public universities tuition fees can be considered as a levy for students who get the privilege of studying there at the cost of the society, to prevent inefficiencies in the use of

existing facilities. At the end the students, who are usually from the upper middle class or higher will benefit of their studies. From the government point of view determining the amount of tuition fees is a delicate matter.

Scholarship : The opposite of tuition fees are scholarships, which are subsidies on the demand side. Scholarship can be in the form of grants or loans. An alternative system is the voucher system which can be used to pay for courses taken. In this system the students are free to take courses they want. The voucher system will also make the students and their families more careful in determining which courses to take, based on the quality and cost of the program.

Regulations: Effort to regulate higher education is done through a series of regulations and deregulations. Regulations in higher education has already been mentioned in the discussions on the behaviour of consumers and providers. There are two forms of regulation in higher education. The first one is to de-regulate the different rules for public universities, giving more autonomy, academic as well in management, as in the era of internationalization public universities cannot compete without more autonomy. The second form of regulation results from the first from, e.g. de-regulations in financial affairs may have to be balanced with regulation on financial accountability and academic quality. De-regulation can be in the form of:

Demonopolization i.e. the establishment of universities is not the monopoly of the state anymore. Private universities can be established.

Denationalization, i.e. the privatization of higher education or making universities corporate entities like the corporatization process in Malaysia.

Permission to establish "special programs" which are market oriented and have their own self administered academic and administrative rules and regulations.

Contracting the establishment and organization of programs in higher education through tenders. A similar policy would the establishment of "block grants" for universities.

The establishment of a quasi market: If competition in market can not be guaranteed, the government can create a market through

the establishment of a quasi-market. In this approach the government does not act as a provider, but as a consumer of higher education competing with other consumers in a quasi market. An example in Indonesia is the competitive research grants system (hibah bersaing).

Basic policies for the establishment of a market mechanism in higher education are:

Autonomy: To be able to compete universities should have great autonomy in academic matters and in management.

Anti-monopoly: Anti-monopoly rules and regulations should be formulated to prevent collusion which will limit competition and decrease the effectiveness of the market mechanism. The rules and regulations are also needed to prevent the establishment of a monopoly as a result of the accreditation process. The hiring and firing of personnel and students should be based on transparent rules and regulations and should be in the hands of the university.

Empowerment of the universities to meet competition

To meet the ever stronger competition in the higher education market, universities should be empowered. Besides the regulation and deregulation in the universities themselves should also take steps to be more effective and efficient. Clark (1997), based on data from several universities, proposed among others the following important steps:

To develop better managerial skills at the all levels (university, faculty, departments, programs).

To look actively for alternative sources of funding, so that the university is not dependent only from the government budget and tuition fees.

To develop cooperation with other government offices, and business.

To stimulate the academic departments to be more entrepreneurial, so as to be more self-supporting.

To focus on programs in which the university has an advantage, so that the available resources can be spent more effectively and

efficiently.

Other steps which can be taken as reported by Williams (1977) are:

To reduce drastically decisions taken through committees.

Full costing for all activities.

Accounting for overhead costs for all activities.

Full costing in all contracts.

Documentation of all aspects of the learning-teaching process.

Outsourcing of all activities which are not main activities.

The establishment of a commercial arm to take care of all income generating activities.

The creation of a logo and other symbols which will strengthen the institutional identity.

Empowerment of a university cannot happen overnight. To empower a university through the steps described above may take 10 to 15 years, so that the decisions to start an empowerment program should be taken as soon as possible.

Social responsibilities of universities in the era of globalization

The influence of market mechanism on higher education can also be looked on from the side of the society. What are the expectations of the society from higher education in the era of globalization and from the higher education system which is influenced by market mechanisms. Even if the higher education system is influenced by market mechanisms, one should not forget that universities are not an ordinary commercial enterprise, but an enterprise which also has social functions. I believe that it will be difficult for a society, especially the Indonesian society, to accept a state in which public universities have to be fully self-financing, because in that case students must pay the full costs of their studies, which may be three times the costs they pay previously. Even in rich countries like the USA public universities still get state support and half of the student body get some sort of support. I believe it is the social responsibility of a university to open itself for all layers of society which meet its

academic requirement and in certain cases even establish special programs for disadvantaged groups which may otherwise not be able to get a university education.

Epilogue

Higher education at present is in turmoil. The higher education system needs renewing as demands far exceeds capacity and as the academic resources of the universities cannot cope with the rapid advance of science (Tadjudin, 1966). On the other side the rules regulating higher education makes universities less effective and efficient, so that it will be difficult for the universities to compete in the coming global era. The management of higher education also needs to be changed by combining modern management principles with traditional academic values.

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