

engagement as per the institutional missions. Such a system will also make it possible for both the administrators and university staff to identify organizational goals that are worthy of financial reward—thereby reinforcing institutional values. In addition, merit pay moderates institutional budgetary constraints by limiting the amount of funds dedicated toward across-the-board salary increases.

#### MARKET PAY EQUITY

Since Kenya's universities source additional revenues from the marketplace, it is only realistic that salaries reflect the realities of the marketplace. Under Collective Bargaining Agreements, all professors and lecturers in the same rank command similar salaries irrespective of disciplinary affiliation. Professors and lecturers of medicine cost more to train, recruit, retain, and generate more research grants to the university than their counterparts in the humanities and social sciences. So why should their base pay be comparable? By infusing market-based disciplinary differentiation in the base pay for university academics, Kenyan universities will ensure that faculty retention is feasible in disciplines with high-market demand.

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**The discontent over university salaries stems from a triumvirate of three interrelated factors: union-initiated cost-of-living salary adjustments, merit pay, and equity.**

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The same policy of differentiated pay, based on institutional context, should apply for university executives. During the recent industrial fracas, vice-chancellors were reported to have illegally awarded themselves a 100 percent salary hike. Why should vice chancellors at nascent institutions—like Karatina, Kisii, and Chuka—with student population barely crossing the 2,000 mark command the same pay as leaders in complex urban universities like Kenyatta and Nairobi with student populations of 60,000 and 54,000 respectively? The dexterity and mental energies required to run the latter far outweighs the former. Policy guidance from the Commission on University Education and the state education office on vice-chancellor compensation will be invaluable in this regard.

In all, permanent ceasefire will not be possible without a democratization of budget making in the state universities. Union allegations of high-level corruption at the uni-

versities coupled with student strikes over fee increments show how opaque the university budgets have become. If universities can publicize mundane activities—like cultural shows, high profile visits, and gate openings—they can at least share budget information with their constituents as national and county governments do. They could do well to borrow from American institutions, where budgets are posted online and university presidents give annual state of the university address. Further, proposals for fee increase need to be exhaustively discussed with students before implementation. ■

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## Be Careful What You Wish For: Pending Privatization of Australian Higher Education

ANTHONY WELCH

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The Australian government's recent national spending audit, commissioned by the incoming federal government in advance of the mid-May Budget, opened a Pandora's box of proposals—not least in higher education. Now that the federal budget has been proclaimed, it is clear how well these ideas accord with the relevant minister's own views. While not all ideas were taken up, at least three repay closer attention: public funding of higher education, privatization, and regulation.

Minister Pyne's recent speech in London professed shock that more Australian universities were not in the top 50 worldwide, as one reason supporting a shake up in higher education. This is the kind of statement we expect from ministers of education anywhere—the Malaysian minister, among many others, has made similar noises in recent years. But in Pyne's case, the reference to the *Times Higher Education World Reputation Rankings* can only be explained as either the expression of a minister—either not familiar with the details of his portfolio or as a way of making a political point. The *Times Higher Education* rankings, of course, give substantial weight to reputation, rather than actual performance. The much more robust, reliable Shanghai Jiao Tong Academic Rankings of World Universities (ARWU) shows that, while Australia has no entry in the top 50 for 2013, five universities (Melbourne, Australian Na-

tional University, Queensland, University of Western Australia, and Sydney) are all listed in the top 100. Considering the relatively small size of the system, that is a respectable result: Canada, in many ways comparable but substantially larger, only has four universities in the ARWU top 100.

#### **AN AUSTRALIAN HARVARD?**

But both the minister and treasurer want even better rankings. So what would it take to get even one of Australia's universities into the upper echelons of this illustrious list? Harvard University, for example, always first in global rankings, luxuriates in an endowment fund that peaked at US\$36 billion before the recent recession and is well on the way to reattaining it. So, it would take the combined total assets of two of Australia's wealthiest mining magnates (Gina Rinehardt, around \$18 billion) or six of its wealthiest casino moguls (James Packer, \$6 billion), for even one Australian university to compete in that league. But perhaps Australia should not hold its breath. Harvard of course is exceptionally wealthy, but other leading US institutions are not that far behind—Yale's endowment fund is valued at US\$22 billion and Princeton's at US\$17 billion. In Australia, the University of Sydney's 2013 campaign, that set a target of AU\$600 million, was Australia's largest but compares with University of Pennsylvania's US\$4.3 billion, Columbia's US\$5 billion, and Northwestern's US\$3.75 billion targets. So, if Minister Pyne's claim that he wants several Australian universities to be in the world's top 50 is to be believed, he should have recommended a vast increase in federal funding to higher education, in the recent budget.

#### **OTHER FUNDING SOURCES**

Sadly, just the opposite was true—as proposed to shift the cost burden even further onto students. The government's share of funding is scheduled to fall by 20 percent, while students will pay substantially more in fees. This is despite the fact the Organization for Economic Cooperation and Development (OECD) data show that Australian higher education already rates poorly, relative to other member countries, in terms of public support for higher education. Australian students already bear a higher proportion of the costs of their university education than most OECD countries, and the current proposals to remove the current cap on fees would exacerbate the situation. Worse, funding per student has been declining for some time, most notably during the Howard years (1996–2006), when funding actually declined by 4 percent, in contrast with the OECD average rise of 49 percent. Students currently contribute 41 percent of the costs of their studies; the Audit Commission proposed raising this proportion to 55 percent. In addition, the proposed reduced threshold for student loans repayment would mean that students should have to commence

repayments much earlier and substantially reduce their lifetime earnings—since repayments would be pegged to the full cost of the loan, rather than the current consumer price index.

The proposal to uncap fees has proved divisive in at least two senses. Vice Chancellors of the top-tier Australian Group of Eight (Go8) research universities, who have most to gain, have tended to support a lift on the current fee cap. Even though they, too, will lose government funding—one estimated that its Faculty of Arts and Social Sciences would lose \$10 million per year, while public funds to Engineering, Environmental Sciences, Communications, and Science would be cut by AU\$5,000 per student. Other vice chancellors, with less to gain and a greater concern with equity, have been more critical—arguing that, if fees rise, poorer students will be deterred from studying, particularly from the more expensive programs. Greg Craven, for example, vice chancellor of the Australian Catholic University, warned of the divisive potential: “you don't want to have one Rolls Royce, and twelve clapped out Commodores.” The proposal also pits students, who are understandably resistant to even higher costs for their university education, against (at least the Go8) universities.

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**Minister Pyne's recent speech in London professed shock that more Australian universities were not in the top 50 worldwide, as one reason supporting a shake up in higher education.**

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#### **FUNDING THE PRIVATE SECTOR**

A second key reform plank would see government funding opened to the private sector, a major change in a system that has been very largely public. At a time when, as part of an overall austerity drive, the current national government is proposing to rid itself of thousands of federal public servants; this would seem to be at odds with current rhetoric about preserving quality. In particular, a major expansion of providers would likely outstrip the capacity of the current national agency charged with regulating the sector—Tertiary Education Quality Standards Agency (TEQSA). Here, Australia's recent history of opening the vocational education and training sector to private providers is instructive. In that instance, state government regulators were overwhelmed by a dramatic increase in the number of provid-

ers—some of which were genuine and some much more concerned with generating income than providing quality educational programs, facilities, or staff. As a result, regulators in many states could not maintain quality across the sector, with calamitous results. Headlines appeared of fly-by-night providers and of international students—particularly from India, who were being misled by the institutions themselves, or duped by unscrupulous agents. When the press in India got wind of such incidents, sensational stories of Indian students being abandoned, duped, or attacked spread rapidly across newspapers and other media. Vocational student numbers from the subcontinent plummeted, and the reputation of the entire education sector suffered. The promised cuts of 50 percent to TEQSA funding clearly flies in the face of such precedent and raises the prospect of a similar outcome in higher education.

If not all the implications of how far and how fast the new federal government wishes to deregulate and privatize higher education are yet clear, there are worrying signs that ideology has trumped sober policy analysis. If so, there are real risks for the higher education sector, including reputational risks that could imperil international higher education enrollments. Be careful what you wish for. ■

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## Chile's Universities: Reasons for Success

JUAN UGARTE

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Chile became the first South American nation to achieve membership in the Organization for Economic Cooperation and Development. Across a broad spectrum of socioeconomic and political measurements, including higher education performance, Chile tops the rankings across the Latin American region. That is because Chile's enrollment rates approach 60 percent, and almost 30 percent of Chile's population of 25–34 year-olds has attained tertiary education, well above the average for the region. Scientific productivity and impact, in proportion to the size of population, also positions Chile at the front of the Latin American region. A review of 2013 rankings like *QS Latin American University Rankings*, and *Shanghai Academic Ranking of*

*World Universities* permit us to conclude that Chile has the highest density of “high-quality institutions” in the region.

Two factors help explain Chile's exceptional performance in Latin America. The first is the nature of its system: state and nonstate universities compete in the same academic arena, and both enjoy public financial support. The second is the contribution that US universities have made to the development and modernization of Chilean universities.

### STATE AND NONSTATE UNIVERSITIES

Since its birth as an independent republic, Chile has established a constitutional right to “freedom in education.” In essence, this is the state obligation to ensure universal access and the right of citizens to choose their preferred institution. In higher education, this principle first materialized through the creation of the state university: the University of Chile in 1842 and then a nonstate university—the Catholic University in 1888. With this base, Chile's higher education system expanded its capacities through efforts of state and private foundations. Later, in 1923, Parliament approved public financing support for all of these institutions. Other national organizations, like the President's Council of Chilean Universities and the National Commission for Sciences and Technology, were created to support general university activities. Parents and students now enjoyed the option of selecting the best university to realize their academic ambitions, knowing they would receive the same benefits (such as scholarships) in any of them. Playing the same field, both state and nonstate institutions competed with strong incentives to attract students, faculty, and resources. Developing under these conditions, it is clear that the mixed nature of Chile's higher education system—the only one in Latin America using this model—helped explain its success, at least in part.

### THE CONTRIBUTIONS OF US UNIVERSITIES

Even though earlier contributions exist, the middle of the 20th century saw Chile and the United States sign two agreements that marked a turning point in modernizing the Chilean higher education system.

In 1955, under the auspices of the United States Agency for International Development, the University of Chicago signed an agreement with the School of Economy of Catholic University of Chile, permitting a generation of economists to do their graduate studies in Chicago and creating the very influential group called “Chicago Boys.” Professors Arnold C. Harberger and Milton Friedman played crucial roles in this effort. Friedman authored the expression “the miracle of Chile,” to denote the impact of this new generation of scholars on national economic and institutional policy. Under the military government and influence